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STUDY #4

FINAL REPORT ON THE ECONOMIC AND CULTURAL IMPACT OF THE CANADA-MANITOBA SUBSIDIARY AGREEMENT ON MANITOBA'S BOOK AND PERIODICAL PUBLISHING INDUSTRIES

Prepared for the
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THIS IS ONE OF THE FOUR STUDIES THAT FORM PART OF THE EVALUATION OF THE CANADA/MANITOBA COMMUNICATIONS AND CULTURAL ENTERPRISES SUBSIDIARY AGREEMENT.

THIS STUDY WAS CONDUCTED BY PAUL AUDLEY AND ASSOCIATES FOR THE MANAGEMENT COMMITTEE OF THE SUBSIDIARY AGREEMENT. THE VIEWS EXPRESSED HEREIN ARE THOSE OF THE AUTHOR AND DO NOT NECESSARILY REPRESENT THE VIEWS OR POLICIES OF THE FEDERAL DEPARTMENT OF COMMUNICATIONS OR THE PROVINCIAL DEPARTMENT OF CULTURE HERITAGE AND RECREATION.

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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

PART I: INTRODUCTION

The broad purpose of this study is to evaluate the programs of support provided to book and periodical publishers in Manitoba under the terms of the 1984 Canada-Manitoba Subsidiary Agreement on Communications and Cultural Enterprises.

Under Component 6 of Sector C of the Agreement (Cultural Enterprises Program Development) a program was established almost immediately after signing of the Agreement to fund the cost of providing Manitoba books and periodicals to schools and public libraries in the province. Later in the Fall of 1985 a broad framework of support was developed and approved by Manitoba and the Agreement's Management Committee, involving program funding of $1.4 million.

With the exemption of the book and periodical purchase program, which operated in 1984/85 and 1985/86, the programs of support were not implemented until 1986/87. As a result, for purposes of this study, there were just two full years of program operation to use as a basis for evaluating four of the five major program components.

The study deals separately with the book and periodical industries, reflecting the fact that they are quite separate industries which function within substantially different public policy frameworks. In both cases the study considers cultural and economic impact. Although of necessity the evaluation relies heavily on statistical, quantitative information, it recognizes as well that in dealing with publishing we are dealing with information and analysis specific to a particular place and a particular society, and with the creativity and heritage of that society.

PART II: BOOK PUBLISHING

Almost all of the book publishing firms now operating in Manitoba were established within the last fifteen years. In 1983/84 the industry's revenue from book sales was just over $350,000. The industry is varied in its composition, including a university press, two French-language publishers, a Métis publisher, a literary publisher and an educational publisher; and produces a wide variety of different types of books for quite diverse audiences and interests.

The following are highlights of the industry's performance over the past five years:

- In 1987/88 61 new titles were produced, up from 41 five years earlier. Books are more often being reprinted, with the number of new titles plus reprints and new editions almost doubling, from 56 to 103.

- Between 1982/83 and 1987/88 revenue from the sale of books more than tripled (rising from $310,900 to $975,300). Sales revenue for 1988/89 is expected to increase to $1.2 million.

- Total industry revenue, including grants and other sources of earned revenue additional to book sales, rose from $767,500 in 1982/83 to $1,661,900 in 1987/88, or by 120 percent.

- In 1982/83, earned revenue from book sales represented 40 percent of total revenue; by 1987/88 this figure had increased to 59 percent.

- Over the period 1983/84 to 1987/88, the major change which occurred in government support to the industry, in addition to the establishing of the ERDA programs, was that support through the federal Book Publishing Development Program (now BPIDP) increased almost ten-fold, from $12,300 in 1983/84 to $117,600 in 1987/88.

- The Manitoba-based industry's revenues from the sale of Canadian-published titles grew far more rapidly between 1983/84 and 1987/88 (the most recent year for which national data are available), than those of the Canadian industry as a whole, rising by 125 percent by comparison with 59 percent. Since 1987/88 the Manitoba's industry's sales have continued to grow rapidly.

- Royalties paid to writers increased almost five fold from 1983/84 to 1987/88, rising from $27,487 to $133,731, with about three-quarters of this amount flowing to Manitoba writers.

The growth that has occurred in the industry has generated increased economic benefits. Since almost all printing for Manitoba publishers is done in the province, these benefits flow almost entirely to Manitobans. The principal benefits can be summarized as follows:

- Direct employment in book publishing increased from 13 to 29 person years between 1983/87 and 1987/88

- In 1987/88 the total direct and indirect impact of book publishing in Manitoba contributed $2.9 million in output to the economy of Manitoba, resulting in 46 person years of employment. This represented an increase from $1.3 million in output in 1983/84 and 21 person years of employment.

The total level of support provided to Manitoba book publishers through the five principal ERDA program components is projected to total $693,661 by March 31, 1989. The principal impact of each of these program components is as follows:

Library Purchase Program (LPP)

- Expenditures of $355,062 resulted in a wide variety of books, largely by Manitoba writers, being made available to people in the province through public libraries and schools. Most Manitoba book publishers feel that the program resulted in increased awareness of Manitoba books and publishers among librarians.

- Publishers views vary on whether sales to these institutions have remained higher since the purchase program ended. The general view is that there has been some improvement but that sales are still not as high as they should be. The major factor perceived to limit purchases by Manitoba libraries is their quite limited acquisition budgets.

- However, the program was successful in allowing Manitoba publishers to meet the qualifying sales threshold for federal support through the BPDP/BPIDP, with $255,250 flowing to Manitoba publishers over the three years the program operated.

Employment Assistance Program (EAP)

- Six firms participated in the EAP, based on the submission of three year business plans. Five of the six firms are either meeting or exceeding the growth targets set in their business plans. The cost to ERDA was $113,758.

- Publishers appear able to retain the additional employee hired under this program when, at the end of three years they have to cover all of the cost involved. This will be possible only if other established programs of support to the industry continue, although this need for on-going assistance is not unique to publishers based in Manitoba.

Access to New Technologies

- Under a group project filed through the AMBP, seven publishers and the AMBP itself received financial assistance to acquire computer systems, including two computers, software and a laser printer. Of the total cost of $176,700, the federal BPDP covered 60 percent, or $106,100; the ERDA program 37 percent, or $66,600 and publishers the remainder..

- At the time this study was done the systems had been installed and operating for just over a year. All publishers are using these system, albeit to varying degrees. Some publishers expressed concerns over the software packages purchased, which were standard for all companies; although the software packages were the smallest part of the expenditure.

- At this stage it is premature to judge to what extent this technology will result in productivity gains. Efforts should continue to be made where appropriate to assist in ensuring that these systems are used as effectively and as appropriately as possible.

Professional Development

- Six seminars/workshops were carried out between September, 1985 and June, 1988. Most publishers were involved and found the seminars helpful. Total professional development expenditures to March 31, 1989 are projected at $20,646.

- All publishers agree that, with rapid expansion and many new employees in the industry, there is a continuing need to enhance publishing skills. Views differ on how best to do this, reflecting the diversity of types of publishing being done.

- Publishers and ERDA management have already recognized the need both for more individualized and more advance professional development initiatives, including assisting individual firms to bring in specialized assistance for short periods.

Marketing Assistance Program (MAP)

- With the termination of the LPP increased emphasis was given, beginning in 1986/87, to strengthening the marketing activities of Manitoba publishers. Marketing assistance through the ERDA Program is projected to total $136,595 by the end of March, 1989.

- Publishers expenditures on advertising and promotion increased from $57,000 in 1983/84 to $129,200 in 1987/88, with most of that increase coming in the last three years. Other marketing expenditures also increased sharply, with the EAP assistance resulting in increased staff time committed to marketing.

- In general terms the sales increases achieved by publishers in the early period of the ERDA program appear to reflect mainly the Library Purchase Program, while those achieved since 1986/87 reflect increased marketing activity.

- It seems clear that the level of sales growth achieved since 1986/87 depended to a substantial degree on the targeted public support provided through the ERDA Marketing Assistance Program, in combination with the Employment Assistance Program.

- There is a general recognition that the marketing activities and expertise of the publishers require further up-grading, if expansion is to continue.

Looking at the overall impact of the ERDA Publishing Development Program it is clear that one direct result of the program was to permit Manitoba publishers to gain greater access to federal sources of financing -- in the case of the Library Purchase and Technology components from the federal BPDP/BPIDP and in the case of the Employment Assistance Program from C.E.I.C. Of the more then $400,000 received by Manitoba book publishers from these two sources between 1983/84 and 1987/88, between $250,000 and $300,000 of that total would not have been provided in the absence of ERDA support.

The leveraged federal assistance must be considered in judging the impact of the ERDA programs. Based on the assumption that 75 percent of industry growth between 1983/84 and 1987/88 would not have occurred without the ERDA programs the incremental impact of these program can be summarized as follows:

- There were 19 additional person years of employment created by the book publishing industry in 1987/88, 12 direct and seven indirect.

- Industry output was $1.2 million higher in 1987/88 than it would have been without the program.

- On a percentage basis employment was 70 percent higher than it would otherwise have been, while output was 74 percent higher.

- On a cumulative basis the ERDA program provided $603,765 to Manitoba book publishers from 1983/84 to 1987/88. During this period we estimate that an additional 26 person years of employment were created and industry output was $2.5 million higher than it would have been in the absence of the program. This excludes the impact this expansion of the industry will have in 1988/89 and future years.

Generally speaking the program guidelines developed were reasonable and reflected the objectives of the Agreement, while application forms and procedures were not excessively burdensome and captured information necessary to decision-making.

As part of the evaluation the guidelines for other federal and provincial programs of support to book publishing were examined. The study found that substantial care had been taken to ensure that ERDA programs do not duplicate support through other programs, except where such complementary funding is necessary and intentional.

Access to federal programs by Manitoba publishers increased over the past five years. Canada Council support increased from $117,710 in 1983/84 to $219,570 -- approximately in line with overall increases in the Canada Council's support to the industry nationally, BPDC/BPIDC support increased substantially as well, although under the new guidelines for the program the level of support is likely to decline very sharply in 1988/89.

There has not been as effective co-ordination of federal and provincial policy and programs as was desirable, in part because there was no steering committee under the Agreement responsible for the publishing sector. However, there were direct discussions between ERDA program management and federal program managers.

The experience with the ERDA programs confirms the original premise that there was significant potential for growth in book publishing in the province. Our analysis indicates as well that there is significant potential for further growth in the future. The ERDA programs have been an essential factor in the growth that has already been achieved.

PART III: PERIODICAL PUBLISHING

While the support provided to book publishers extended to virtually all companies in the province, in the case of periodical publishing assistance was provided only to publications in the categories of literature, the arts and social or literary criticism. As a result, while books related to the environment, nature, education, business, history, biography, geography, and a wide range of other subject matter would qualify, if material in these same subject areas were published in periodical form it would be ineligible for support.

There are, however, sound reasons for not being all-inclusive in a program of public support to periodicals. These include the fact that periodicals are to varying degrees vehicles for advertising messages as well as the subject matter of the magazine, with advertising in some cases covering the whole cost of the publication. Direct public support from federal and provincial sources has tended to be focussed in most cases on literary, arts and scholarly magazines, although there have been exceptions.

If one looks at the whole of the periodical industry in Manitoba the following basic facts should be noted:

- There are 63 magazines produced in Manitoba, which represents 4.8 percent of the total number of Canadian magazines. Average circulation per issue is 13,600, by comparison with 26,600 for the industry nationally.

- Of total revenue of $14.9 million in 1986/87, $9.8 million, or 65 percent, came from advertising, $3.2 million from subscription sales and just $188,000 from newsstand sales.

- Paid circulation magazines intended for sale to the general public account for most of the circulation of Manitoba periodicals -- on a per issue basis, representing circulation of 410,000 copies, and on an annual basis 4.7 million copies. Average operating profit margin for paid circulation general public periodicals declined from 22 percent in 1984/85, to nine percent in 1985/86 and zero percent in 1986/87.

- The direct and indirect economic impact of periodical publishing in Manitoba in 1987/88 totalled $22.6 million of output, generating wage and benefit expenditures of $7.6 million, and 290 person years of employment.

The analysis in this report concentrates attention on those periodicals which have received support under the ERDA Agreement, that is, on magazines, intended for sale to the general public in the subject areas of arts, literature and social criticism. The term used to identify these publications is "cultural periodicals".

The following is a summary of the principal changes which occurred in the operations of the cultural periodicals which qualified for and received support through the ERDA programs.

- The total annual circulation of these magazines (including both paid and controlled, or free, circulation) increased by 74 percent between 1983/84 and 1987/88. Increases in paid circulation were greater, with annual paid circulation more than doubling (an increase of 114 percent) over the five year period.

- Total revenues of these cultural magazines increased by 180 percent, rising from $179,200 in 1983/84 to $500,900 in 1987/88. Revenue from the sale of advertising and from circulation more than doubled, increasing from $72,500 to $155,000. Grant income increased from $99,400 to $342,200 (including both government and private grants).

- On average the cost of sales for these magazines remained reasonably constant over this period in relation to earned revenue. However, operating expenses increased by 195 percent, significantly greater than the 114 percent increase in single copy, subscription and advertising sales.

- Increased wage and benefit expenditures plus increased advertising and promotion expense accounted for much of the operating cost increases. Earlier these magazines had had very limited paid staff or none. ERDA funds allowed these magazines to maintain full-time staff on a continuing basis and to launch circulation development campaigns, which had earlier been carried out on a very limited basis.

- Direct employment in these cultural periodicals rose from 5.5 person years in 1983/84 to 14.5 in 1987/88.

Over the period 1983/84 to 1988/89 total ERDA program expenditures are projected at $318,568. As in the case of book publishing only the Library Purchase Program was in full operation in 1983/84 and 1984/85. At the time the interviewing was done for this study the remaining four components of the ERDA program had been in operation for just two full years. These four components accounted for 72 percent of total ERDA expenditure in the case of magazines, by comparison with 49 percent in book publishing.

The principal effects of the individual components of the ERDA program were as follows:

Library Purchase Program

- Cultural periodicals benefitted from ERDA library purchases of $89,340.

- In the short term this program clearly had a positive impact on the financial position of the magazines affected. Because 38 percent of these sales were of "back issues", little incremental cost was involved in achieving these sales.

- Although there was some controversy concerning the purchase of two of the magazines for school libraries, there was general support of the principal that appropriate Manitoba periodicals ought to be more readily available in publicly-funded libraries in the province.

- At the time the purchase program was terminated there was concern over publishers' ability to sustain sales to the school and public libraries, particularly because of the limited acquisition budgets of these libraries and the limited marketing resources available to cultural periodicals.

- While the publishers of the cultural periodicals all supported the program at the time, almost all now regard it as unsuccessful. Many express the view that it artificially expanded their sales into markets where they could not expect to sustain that expanded presence. Renewals of these library subscriptions supported through ERDA were limited.

- As the purchase program was being phased out, detailed proposals were being developed to implement other components of the program, including the Marketing Assistance Program, which was intended to help publishers in their efforts to increase circulation.

Marketing Assistance Program

- The overall purpose of the Marketing Assistance Program, which was initiated in 1986, was to assist publishers to expand and sustain long-term marketing activities and achieve increased sales and circulation.

- Largely as a result of this program, expenditures on advertising and promotion increased from less than two percent of total spending in 1984/85 to eight percent in 1987/88, roughly the national average for the industry.

- Although the cultural periodicals did not retain a substantial percentage of the increased circulation that resulted from the Library Purchase Program their circulation did not fall back to the levels of the pre-ERDA period. Instead, after slipping slightly between 1984/85 and 1986/87, they increased to a new high in 1987/88, with the number of subscribers then 74 percent higher than in 1983/84 and total circulation 94 percent higher.

- These increases in paid circulation would not have occurred without the assistance provided through the Marketing Assistance Program. The positive response of the public to these periodicals indicates that there is public interest in them and a willingness to pay for them; and that, given assistance to market their publications to the same degree that other Canadian periodicals do, there is considerable potential to achieve circulation growth.

Employment Assistance Program

- Prior to the Employment Assistance Program being implemented most of the cultural periodicals did not have any full-time employees. In this respect the periodicals differed from the book publishing firms which participated in the ERDA program. As a result the employee hired was a managing editor, whereas in book publishing the new employee was usually involved in marketing.

- Since this program was established in 1986/87 the magazines involved have made substantial progress, and it is difficult to believe that this could ever have been achieved without at least one full-time employee in the principal magazines involved. There appear to have been significant improvements in the quality of the content of these magazines, as well as substantial increases in earned revenue and circulation.

- Nevertheless, if one looks at whether the targets set by publishers in the three year business plans filed when they applied to the Employment Assistance Program are being met, it in clear that generally speaking they are not. This does not mean that they have not made real progress, as is clear from the profile presented in this report and the

assessment of the marketing component, but they have made, in all but one case, far less progress than their three year plans predicted.

- The publishers themselves feel that the program has been quite helpful but that it was based on unrealizable goals. Most feel that what they need must include increased on-going operating assistance, with at least two full-time staff.

- It seems clear that the premise that revenue could increase sufficiently over three years to cover the salary of a full-time employee was not reasonable. The program also did not recognize the finite growth potential that existed for some of the magazines.

Professional Development

- The six workshops held for periodicals under the ERDA Professional Development component were generally helpful, as was assistance provided to attend the Banff Publishing Workshop. Interviews carried out for this study suggest that a number of Manitoba periodicals not eligible for ERDA assistance would also have been interested in participating.

- Professional development in the industry remains essential, although the limited staff in the cultural periodicals combined with the absence of any staff in the industry association, the Manitoba Periodicals Association, represent constraints on the continuation of a strong professional development program.

Access to Technology

- The ERDA program provided four of the cultural periodicals with 60 percent of the cost of acquiring computer equipment, software and laser printers. Publishers chose their equipment with guidance from a consultant's study commissioned through ERDA. The study identified substantial gains that could be made (reduced typesetting costs, easier production of form letters and mailings, more efficient maintenance of mailing lists, etc.) but stressed the related need for professional development and training.

- All of the four recipients of assistance through this component are making substantial use of the systems acquired. All use the system for producing the text of the magazine; while varying levels of use for circulation related functions and management functions are reported.

- Nevertheless, it appears that further training is required in some cases to ensure maximum use of these system.

The periodical publishers involved in the ERDA program generally expressed concerns that their views were not adequately considered by ERDA program management. This evaluation generally supports the view that not all of the assistance provided to magazine publishers reflected their real needs and priorities. Novertheless there were nine formal meetings with the industry association when the guidelines were being developed and the program guidelines were generally consistent with the objectives of the Agreement and were clear and well defined. While publishers questioned the assumptions of two of the components, they regarded the assistance as helpful. As noted above, there was also significant progress made as a result of the assistance.

The ERDA programs have had a substantial impact on the earned revenues of Manitoba's cultural periodicals. It is estimated that the ERDA publishing programs accounted for 62 percent of the growth in circulation and advertising revenue achieved over the past five years. There were also substantial increases in grant revenue from other sources, and primarily the Manitoba Arts Council, which were not directly linked to the ERDA program, although levels of support may well reflect increases in quality of content and circulation, which are related to ERDA support. In summary the key estimates of the incremental impact of ERDA assistance are as follows:

- The ERDA programs accounted for 62 percent of growth in earned revenue and for 39 percent of growth in total revenue, that is revenue including grants.

- Over the period, 1983/84 to 1987/88, the five cultural periodicals for which full data were available received $170,000 in ERDA support. On a cumulative basis this resulted in a combined incremental direct and indirect impact of $402,000 in total output and 19.2 person years of employment over the four year period 1983/84 to 1987/88.

In conceptual terms the decisions made about eligibility for ERDA assistance were to some extent contradictory. By excluding from the program consumer magazines in Manitoba, which might with assistance have achieved quite substantial growth, the potential for producing successful results based on the assumptions behind some of the program guidelines was greatly reduced. As it was, access to the program was limited to publications likely to continue to require on-going direct financial support.

Overall programs of assistance to Manitoba periodicals can be divided conceptually into on-going subsidy measures, on the one hand, and development assistance on the other. Access to development assistance seems relevant to both magazines which require on-going subsidy and to those which are, or could become commercially self-sustaining. The study found a number of important concerns which affected both magazines which were eligible for ERDA support and ones which were not -- including distribution, access to government and non-government advertising, access to good mailing lists, tax policy issues, etc. Through a stronger industry association these goals might be pursued more effectively, as could professional development activities.

PART IV: RECOMMENDATIONS

A selected number of the key recommendations of the study are indicated below. (The full text of Part IV contains all of the recommendations.)

- The Library Purchase, Employment Assistance and Access to Technology components of the ERDA Publishing Development program should not be renewed or extended.

- The Marketing Assistance and Professional Development components should be continued.

- For book publishers with annual sales of over $75,000 a loan guarantee and interest subsidy program should be established.

- A flexible Project Assistance Program should be added to the Publishing Development Program.

- An integrated approach should be implemented to expand the role of Manitoba book publishers in supplying educational materials.

- Support should continue to be provided to Manitoba book publishers through a further five year period, with total funding over that period of $848,000.

- Consideration should be given to administering the publishing program through the Cultural Industries Development Office (CIDO), with funding on a shared federal-provincial basis.

- Consideration should be given to providing increased levels of operating assistance from sources other than the Publishing Development Program to Manitoba periodicals judged both to have substantial cultural importance and to be unlikely, even with continuing increases in earned revenue to maintain the minimum staffing levels required for effective operation.

- Assuming no change in the criteria governing access by Manitoba periodicals to the Publishing Development Program, (except in the case of Professional Development), over the next five years funding of $450,000 should be provided to extend a revised Publishing Development Program for periodical publishing.

- A reappraisal should be done of the development needs of the Manitoba periodical publishing industry based on interviews with a substantial and representative range of publishers who were not eligible under the original Publishing Development Program guidelines. Consideration should be given to extending the program to publishers of general interest magazines with substantial paid circulation.

PART I

INTRODUCTION

PART I

INTRODUCTION

1.0 SCOPE OF THE STUDY

1.1 Purpose of Evaluation

The broad purpose of this study is to evaluate the programs of support provided to book and periodical publishers in Manitoba under the terms of the 1984 Canada-Manitoba Subsidiary Agreement on Communications and Cultural Enterprises. As an essential part of that evaluation this report looks at the impact of the various component parts of the publishing support programs, examining their affects up to the present time and their anticipated impact on the recipients of such support and on the book and periodical industries in Manitoba.

The more specific goals of this study, as identified by the Evaluation Steering Committee in its Request for Proposals, were as follows:

a. Develop a series of sectoral profiles using the main economic and financial indicators and putting the Manitoba industry into the Canadian and international perspectives.

b. Identify major industry problems.

c. Assess the Agreement and its effects and impact on each sub-sector using mainly the information provided by the beneficiaries.

d. Determine if the program will solve the problems identified above.

e. Assess the cultural impact of the contributions mainly through the accessibility and diffusion of cultural products.

f. Suggest any changes to the program if required, taking into account industry problems and other government programs.

In preparing this report we have kept in mind the 26 specific evaluation questions identified in the Annex to the RFP. These questions indicate more precise issues which the Evaluation Steering Committee and the Management Committee for the Sub-Agreement wished to see addressed in the evaluation. We have responded to each of these questions and have been as precise as possible in doing so.

1.2 The ERDA Publishing Development Program

The 1984 Agreement included four sectors:

Sector A:	Communications/Information Technologies
Sector B:	Cultural Enterprises Infrastructure Development
Sector C:	Cultural Enterprises Program Development
Sector D:	Management, Public Information Evaluation

Within the framework of Sector C, programs were established to assist the book and periodical publishing industries in Manitoba. Sector C consists of only one of the nine components included in the Agreement: Component 6 for Cultural Industries Development. From a budgetary perspective this Component 6 is budgeted at $6,075,000, which was to encompass programs for the film, video and audio production industries as well as book publishing. The implementing party for Component 6 is Manitoba.

Almost immediately after the Agreement was signed approval was given for expenditures up to $345,000 to fund the cost of providing Manitoba books and periodicals to both public and school libraries in Manitoba. A decision was also reached to commit up to $50,000 to fund a study of the problems of independent bookstores in Manitoba, reflecting the fact that retail bookstores which are not part of national bookstore chains are an important part of the distribution system for Manitoba publishers.

Later, in the Fall of 1985, a broader framework of support was developed and approved both by Manitoba and by the Management Committee for the Agreement. The framework agreed to at that time included the following program elements:

Public Sector Market Support:	$595,700
Employment Assistance:	270,300
Independent Bookstore Study:	50,000
Access to New Technologies:	215,000
Professional Development:	74,300
Export Marketing Assistance:	12,000
TOTAL:	$1,443,300

In October, 1986 a decision was made to reallocate a significant amount of the funds to create an enhanced general program for marketing assistance. An amount of $213,000 was approved for marketing support, with the funds taken primarily from the Public Sector Market Support program which was terminated prematurely in that year (smaller amounts were also taken from the technology

and independent bookstore components). With these revisions the program allocation for the Publishing Development Program was as follows: [1]

Public Sector Market Support:	$475,200
Employment Assistance:	270,300
Marketing Assistance:	213,000
Technology:	150,400
Professional Development:	74,300
Independent Bookstore Study:	50,000
Reserve:	155,800
TOTAL:	$1,388,600

1.3 Context of Evaluation

In assessing the overall impact of the Publishing Development Program, it is important to remember that the various components of the program were put into effect at different times. During the first two years of the Agreement, that is 1984/85 and 1985/86 the only component of the program which was fully in operation was the Public Sector Market Support Component. Apart from relatively small grants for specific marketing and professional development activity in the first two years the remaining components of the program were not implemented until 1986/87. As a result, for purposes of this study, there were just two full years of program operation to use as a basis of evaluation in looking at four of the five major program components.

Care has also been taken in conducting the assessment to recognize the impact of other federal and provincial programs on book and magazine publishing in Manitoba. A number of issues are examined in relation to these other programs, including the extent to which the Agreement or ERDA programs have enhanced access by Manitoba publishers to other program support, the degree to which existing programs are either complementary to or duplicate the ERDA programs, and the extent to which the ERDA programs have, and could in the future, enhance the success of other programs.

In examining the impact of the Publishing Development Program, careful attention has been given to existing documentation concerning the state of the book and periodical industries before the Agreement was signed. For the book publishing industry the situation prior to the Agreement is well documented in the study prepared for the Manitoba Government in 1983/84 by Karl Siegler. The study found that in 1982 the 11 Manitoba book publishers covered had total revenues from book sales of $309,997, or an average of just over $28,000 each. Total royalties of $30,258 were reported, with about $25,000 of that amount paid to Manitoba writers. The industry was heavily subsidized, with total revenue related to book publishing, <u>including grants</u>, of $653,500. As a

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[1] These budget revisions are not reflected in the April, 1988 ERDA Progress Report (page 16).

result, 53 percent of the book publishing related revenue was accounted for by grants. Almost half of the total grant revenues, however ($157,704 of a total of $343,500) was accounted for by special employment subsidy programs and flowed primarily through the federal LEAP program to one publisher.

In the case of periodical publishing good documentation of the situation prior to the Agreement was not available for the industry as a whole, either nationally or for Manitoba specifically. The Siegler study however, did provide a survey of arts, literary, and social criticism magazines--reflecting a narrower focus of subject matter than was the case in book publishing. In so far as the study dealt more broadly with other periodicals, it was not able to identify and provide data on other Manitoba magazines intended for sale to the general public, primarily because Statistics Canada did not begin to survey periodicals until 1984. In order to remedy this lack of documentation we have had a special analysis done using the Statistics Canada data base, which goes back to 1984. The resulting data are important, in that they provide a profile of all Manitoba periodicals published for sale to the general public, and indicate trends.

It is important to understand that, while almost all book publishers in Manitoba qualified for support under the ERDA program, this was not true in magazine publishing. As a result we have included in this report an evaluation of the criteria used for the magazine component of the program and information concerning that part of the industry which did not qualify for assistance.

1.4 Structure of the Report

The structure of this report reflects the fact that the book and periodical industries are completely separate from one another. Not only are they distinct from one another in operating characteristics, they also operate within substantially different frameworks of public policy initiatives. While public support to book publishing is provided primarily through programs of direct public support, the magazine industry is supported primarily through indirect measures, including tax policy initiatives and concessionary postal rates. This study, therefore, looks at the two industries separately, focussing in Part II on book publishing, and in Part III on periodical publishing.

The sections on book and periodical publishing each begin with a profile of the industry, followed by an assessment of the impact of the ERDA programs and their relationship to other government programs. Each section concludes by reviewing key policy issues and presenting proposals for future action. Finally, in Part IV we present proposals related to the operation of the program in the future and present a summary of the report's recommendations.

1.5 Public Policy Objectives

Of necessity this evaluation study relies heavily on statistical data to assess trends in the industry and to examine the impact of the Publishing Development Program. However, while we focus substantially on what can be measured, the task defined for the study was to look at cultural as well as economic impact. In the case of assessing cultural impact it would be irresponsible not to identify the limits of what can be looked at quantitatively.

Most people would agree that not all books or magazines are of equal value. For example, while the work of an exciting, innovative new novelist may not sell as well as a study of history which simply ploughs over old ground, one may wish to assign greater cultural value to the former. Similarly, it is difficult to avoid the conclusion that, before we can be satisfied with the books and magazines being published in Manitoba, we would want to be sure that they included works that were written by native Manitobans, or by franco Manitobans; in more general terms, that they reflected the cultural diversity of the people of Manitoba.

It is, of course, precisely these qualitative concerns which make the formulation of public policy for the cultural industries more complex than for other industries whose products are more or less interchangeable with those of industries located somewhere else. We are dealing in the publishing sector with information and analysis specific to a particular place and a particular society, and with the creativity and the heritage of that society. For this reason, there has always been an unwillingness to allow the iron laws of comparative advantage and the marketplace to dictate that there should be no books of poetry by Manitoba writers, no written records of the heritage of the people of Manitoba, no books for use in the schools that reflect Manitoba's needs and interests, and so on.

The relative complexity of the goals to be achieved has led to the use of different policy instruments or support agencies to pursue those goals. An attempt is made in this study to shed some light on the rationale for the use of different policy instruments, to suggest a clarification of the relative role of each, and to bring to bear on these public policy issues a concern for efficiency.

2.0 METHODOLOGY

2.1 Data Sources

The data used in this report are drawn from a number of sources. Early discussions with representative of the Evaluation Steering Committee, the ERDA program manager for publishing, the Manitoba Arts Council (MAC), the Association of Manitoba Book Publishers (AMBP) and the Manitoba Periodicals Association indicated that almost all of the data required for the evaluation

was already available from other sources. As a result it was judged unnecessary to carry out a separate survey for this report. In preparing the data presented in this report we have, therefore, drawn primarily on data available from Statistics Canada, the Manitoba Arts Council, ERDA publishing program applications and publishers' financial statements. We have also compiled precise information concerning financial support to Manitoba publishers from the federal Department of Communications (Communications Canada), the Canada Council, the Manitoba Arts Council and, of course, from the ERDA program. Where there were gaps in the information available they were usually filled by collecting the necessary information from individual publishers; or where the gaps were minor, by estimating. We have indicated the sources of the data, including the extent of estimation involved.

2.2 Interviews and Document Review

Interviews were conducted with all recipients of support from the ERDA Publishing Development Program. With few exceptions, these interviews were carried out in person, and were between one and two hours in length. Interviews with francophone publishers were carried out in French. In the case of book publishing, there were no substantial publishers not in the program. As a result, interviewing was limited to publishers in the program, supplemented by interviews with program managers for ERDA and other publisher support programs, relevant government officials, and other individuals involved in book industry related activities such as printing. In the case of periodical publishing, however, there are a number of significant Manitoba periodicals not in the program. Interviews were, therefore, done with a selected number of magazine publishers not involved in the program as well as with participants, program managers, etc. Lists of interviewees are annexed to this report as Appendices A and B.

In preparing this study we also carried out an extensive review of the ERDA program files and reviewed the guidelines for other major programs of support which affect the industry. We also examined documents related to federal and provincial government publishing policy for both the magazine and book publishing industries.

2.3 Assessment of Incrementality

Central to any program evaluation is the issue of judging the incremental impact of the specific program being evaluated. Essentially, this requires a judgement of what would likely have happened if the program had not existed. While such an assessment is always difficult to carry out with reasonable precision, that is particularly the case when there are other significant sources of support available to recipients.

In determining incrementality in this report we have first documented the extent of change which has occurred in the industry as a whole and in program recipients. This includes identifying revenue changes, levels of public

support by source, and so on. We have then looked at each of the sub-programs or components within the Publishing Development Program, identifying the extent to which each has affected industry growth and access to other sources of support. Finally, in the case of both book and magazine publishing we provide an assessment of the extent to which expansion in the industry has been a result of support through the ERDA Agreement. These findings provide the basis for recommendations concerning the future needs of these industries.

PART II

BOOK PUBLISHING

PART II

BOOK PUBLISHING

3.0 PROFILE OF BOOK PUBLISHING IN MANITOBA

3.1 Background

The vast majority of the book publishing companies which are now in operation in Manitoba were established within the last fifteen years. Only one of these firms was established before 1974, while eight were established from 1974 to 1980. No new firms have been set up since 1984 when the Agreement was signed. Instead, what has occurred is an expansion of companies already in the business.

The history of the book publishing industry in Manitoba is, therefore, a relatively short one. That fact is by no means unique to Manitoba. In fact, in other provinces as well, the growth of book publishing is a relatively recent phenomenon. As the 1984 Siegler study pointed out, the book publishing industry in British columbia had total revenues of only $338,000 in 1971, while that figure had increased to $6.2 million by 1981. Even in Ontario the 1960's had seen the establishing of a wide range of new Canadian-owned book publishing companies dedicated to producing the work of Canadian writers, with many companies operating in that province being established relatively recently.

At the federal level the Canada Council had set up a substantial program of block grant support for Canadian publishers in 1971, and has administered that program with a recognition of regional development needs. More recently, in 1979, the federal government established the book Publishing Development Program (BPDP) through the Department of the Secretary of State (now administered by Communications Canada) to assist Canadian-owned book publishing firms. Eligibility for assistance through the BPDP, now the Book Publishing Industry Development Program (BPIDP), was based on sales thresholds which varied from region to region and a funding formula intended to favour companies outside Toronto and Montreal. Nevertheless, at the time the Canada-Manitoba program began to operate Manitoba-based book publishers were receiving just one-fifth of one percent of total BPIDP support and, five years after the establishing of the BPIDP, the Manitoba-based industry still had revenues from book sales in 1983/84 of just over $350,000, a minute fraction of the Canadian book publishing industry's total revenues from the sale of Canadian-published books of $448.5 million.

As noted already, almost all of the significant Manitoba-based book publishers which have been in operation over the past five years have been eligible for and received ERDA support. The Manitoba-based industry includes a university press, two French-language publishing firms, a Métis publisher, a

literary publisher (that is, a firm involved primarily in publishing poetry, fiction and literary criticism) and a company which is involved primarily in publishing books for the educational market. As a result, the book titles being produced include children's books, fiction, poetry, historical works, textbooks and a wide range of titles on subjects as diverse as art, the economy, social and political issues, etc. This diversity of kinds of publishers and categories of books represents a very positive factor in considering the cultural impact of the program. In the analysis which follows we have tried to keep this in mind, while still wishing to focus on more quantitative indicators, and particularly financial and economic data.

3.2 Trends Since 1983

3.2.1 Books produced and in print

Over the past five years the number of new titles published annually has fluctuated, from a low of 41 titles in 1983/84, prior to the initiation of the program, to a high of 64 titles in 1985/86 (see Table 1). Last year, 61 new titles were produced, by comparison with 41 five years earlier.

TABLE 1

NUMBER OF NEW TITLES, REPRINTS AND NEW FORMAT EDITIONS RELEASED BY MANITOBA BOOK PUBLISHERS, 1983/84 - 1987/88

Year	1983/84	1984/85	1985/86	1986/87	1987/88
New Titles	41	54	64	51	61
New format	3	2	1	1	17
Reprint	12	11	21	30	25
TOTAL	56	67	86	82	103

SOURCE: Compiled by Paul Audley & Associates Ltd. using data from the Manitoba Arts Council and financial statements and data from individual publishers. This and all subsequent tables related to book publishing cover the same 10 companies in each year for each year from 1983/84 to 1987/88.

Publishers have also been able to increase the number of reprints or new format editions of earlier works which they release. If one combines the number of new titles released with reprints and new format editions, there has been steady growth over the past five years, with the increase from 56 in 1983/84 to 103 in 1987/88 representing almost a doubling in annual production volume.

The increase in reprints and new format editions reflects the growing value of what in book publishing is referred to as the "backlist", that is, titles published earlier that continue to sell. It should be treated as a positive sign for the development of the industry that increasing numbers of earlier titles require and appear to justify reprinting.

Of the 271 new titles produced in Manitoba over the past five years, 63, or 23 percent, were French-language titles. In addition, Pemmican, the Métis press, produced a total of 23 new titles.

Statistics Canada data, which cover eight Manitoba publishers indicate that the number of titles in print increased from 188 in 1983/84 to 336 in 1986/87. Taking into account those publishers not covered by Statistics Canada it is estimated that the total number of titles in print for all companies at the end of 1987/88 was about 440.

3.2.2 Industry revenue, 1982/83 to 1987/88

Between 1982/83 and 1987/88 revenue from book sales reported by Manitoba book publishers more than tripled, increasing from $310.9 thousand in 1982/83 to $975.3 thousand in 1987/88 (see Table 2). Recent interviews with publishers indicate that there will be a further quite significant increase in 1988/89, with revenues from book sales increasing to about $1.2 million in 1988/89. (Most publishers use the calendar year as their fiscal year and are, therefore, close to their year end as this report is being completed).

Revenues from export sales have been increasing, reflecting a trend to publish more for national and international markets, rather than just for the Manitoba or regional market. Statistics Canada data, which cover eight of the ten companies included in the tables compiled for this study, indicate that export sales increased from $22,279 in 1983/84 to $112,466 in 1986/87. While we were not able to compile precise export data for all the companies covered in this study, it seems clear that in 1987/88 export sales for the 10 companies were at least $200,000.

TABLE 2

REVENUE BY SOURCE FOR MANITOBA-BASED BOOK PUBLISHERS
1982/83 - 1987/88

	Book Sales		Grants		Other Revenue		TOTAL *
	($000's)	%of total	($000's)	%of total	($000's)	%of total	($000's)
1982/83 (1)	310.9	(40)	428.0	(56)	29.5	(4)	767.5
1983/84 (2)	360.3	(50)	338.0	(47)	17.4	(2)	716.0
1984/85 (2)	506.9	(62)	274.1	(34)	32.8	(4)	813.8
1985/86 (2)	769.4	(70)	303.4	(28)	25.8	(2)	1,098.6
1986/87 (2)	812.2	(62)	453.7	(35)	39.1	(3)	1,305.1
1987/88	975.3	(59)	631.2	(38)	55.5	(3)	1,661.9

SOURCE: Data from Manitoba Arts Council and financial statements of publishers and compiled by Paul Audley & Associates Ltd.

NOTES: (1) 1982/83 data are based on the Siegler report.

(2) The book sales reported for 1984/85 to 1986/87 reflect expenditures of $355,062 through the ERDA Sub-Agreement to purchase books for public and school libraries.

* Totals may not add precisely due to rounding.

In looking at these revenue figures for book sales it is important to bear in mind the impact of the Library Purchase Program which operated as part of the overall ERDA program in 1984/85, 1985/86 and 1986/87. Over this three year period ERDA program expenditures of $355,062 to cover the cost of purchasing Manitoba books for public and school libraries accounted for a significant part of the reported earned revenues. However, in 1987/88 and 1988/89 the Library Purchase Program was no longer in operation. As a result such sales are not a factor in the 1987/88 sales, which nevertheless continued to increase.

In assessing the strength and stability of industry expansion it is important to be aware of the balance in overall industry revenue between grants and earned revenue. At the time of the Siegler study 40 percent of the industry's total revenues were accounted for by book sales and 53 percent by grants. For the most recent year, 1987/88, the ratio was 59 percent from book sales and 38 percent from grants. Total revenue increased from $767,500 in 1982/83 to $1,661,900 in 1987/88, an increase of 120 percent.

As Table 2 indicates, the percentage of total revenue accounted for by book sales was somewhat higher in the period 1984/85 to 1987/87, than in the most recent year. However, the book sales reported for that three year period reflected, as noted above, substantial expenditures through the Library Purchase Program.

In Table 3 a constant group of companies is included for the five year period, 1983/84 to 1987/88. For these ten companies, all of which participated in the ERDA Publishing Development Program, total revenues and book sales are indicated in constant, as well as in current dollars. Over this period revenues from book sales increased in constant dollars by 130 percent; while total revenues grew by 97 percent.

3.2.3 Composition of grant income

Table 4 provides data on the sources of grant income reported by publishers. It should be noted that the data reported in this table may not be the same as those reported for the same years by the managers of government programs. In part this reflects differences in the financial year ends, with most publishers having December 31st as their year end, while the fiscal year for governments ends March 31st. The table also tends to understate the impact of the ERDA Publishing Development Program on industry development, since the ERDA figures included do not reflect the Library Purchase Program, since it was not a grant program, or the Technology component of the ERDA program. More precise and more up to date figures on such expenditures based on government year ends are presented later in this report.

TABLE 3

TOTAL REVENUE AND REVENUE FROM BOOK SALES
IN CURRENT AND CONSTANT DOLLARS, 1983/84 - 1987/88

	BOOK SALES		TOTAL REVENUE	
	Current Dollars	Constant 1981 Dollars	Current Dollars	Constant 1981 dollars
1983/84	360.3	307.4	716.0	610.9
1984/85	506.9	414.5	813.8	665.4
1985/86	769.4	604.9	1,098.6	863.7
1986/87	812.2	613.4	1,305.1	985.7
1987/88	975.3	705.7	1,661.9	1,202.5
% increase 1983/84 to 1987/88	+171%	+130%	+132%	+97%

TABLE 4

GRANT INCOME OF MANITOBA BOOK PUBLISHERS BY SOURCE
1983/84 - 1987/88
($000's)

	1983/84		1984/85		1985/86		1986/87		1987/88	
Manitoba Arts Council	61.8	(18%)	62.2	(23%)	78.9	(26%)	108.9	(24%)	80.8	(13%)
Canada Council	96.1	(28%)	114.0	(42%)	98.5	(32%)	124.2	(27%)	179.4	(28%)
Communications Canada	12.3	(4%)	13.5	(5%)	23.5	(8%)	77.9	(17%)	117.6	(19%)
ERDA (1)	--		--		--		49.4	(11%)	82.9	(13%)
Other Government	119.8	(35%)	25.3	(9%)	24.5	(8%)	34.1	(8%)	61.2	(10%)
Other non-Government (2)	48.0	(14%)	59.2	(22%)	78.0	(26%)	59.2	(13%)	109.3	(17%)
TOTAL *	338.0	(100%)	274.1	(100%)	303.4	(100%)	453.7	(100%)	631.2	(100%)

SOURCE: Data from Manitoba Arts Council and Financial statements of publishers and compiled by Paul Audley & Associates Ltd.

NOTES: (1) ERDA funds do not reflect book purchases resulting from the Library Purchase Program or the technology component of ERDA.

(2) "Other non-government" includes organizations and agencies that may be government funded.

* Totals may not add precisely due to rounding.

However, a number of trends are evident from Table 4. The most important is that over the five year period the extent of assistance provided through Communications Canada's Book Publishing Industry Development Program increased almost ten fold, rising from $12,300 in 1983/84 to 117,600 in 1987/88. In addition, while just half of total grant support in 1983/84 came from programs designed specifically to assist in the development of Canadian book publishing, that figure had risen to 73 percent by 1987/88. The 1983/84 grant

figure reflected substantial support to one publisher ($92,000) through the LEAP program for job creation. This assistance was relatively ineffective as a means of assisting book publishers, since the publisher could only use these funds to pay additional staff. Later in this report we examine the needs of the book publishing industry and indicate why programs such as LEAP were not an effective form of public support for either book or periodical publishers. The general conclusion that follows is that the assistance being provided in 1983/84 was not as well targeted and effective as was the assistance being provided in 1987/88.

If we look only at grants from government sources, we see that the aggregate level of support increased from $290,000 in 1983/84 to $521,900 in 1987/88. In constant dollars the increase was 53 percent. As indicated later in this report, this level of support still represents a relatively small percentage of all public financial assistance to the book publishing industry. The increase reflects the fact that over this period the Manitoba industry, beginning from a very small base, has grown far more quickly than the Canadian industry as a whole.

3.2.4 Growth in relation to the Canadian industry

For the whole of the Canadian-controlled industry, revenues from the sale in Canada of Canadian-published titles increased by 59 percent between 1983/84 and 1986/87. By comparison, during this period revenues from book sales for Manitoba-based companies increased by 125 percent. As noted earlier, the revenues of Manitoba-based companies have continued to increase rapidly since 1986/87.

3.2.5 Operating expenditures and profitability

Over the past five years the total cost of sales reported by book publishers has declined as a percentage of book sales. (Table 5 provides a profile of operating data for the industry.) While cost of sales represented 91 percent of book sales in 1983/84, the corresponding figure five years later was 78 percent. This ratio is an important one, since it measures the cost of producing a book in relation to the revenue earned from its sale. The point could be made equally well by noting, as Table 5 indicates, that while book sales exceeded cost of sales by only $31,404 in 1983/84, the figure rose to $221,464 five years later. As a result, although the industry remained substantially dependent on grants, its ability to contribute to its operating costs through earned revenues significantly increased.

TABLE 5

REVENUE AND EXPENDITURES OF MANITOBA BOOK PUBLISHERS
1983/84 - 1987/88 ($000'S)

	1983/84	1984/85	1985/86	1986/87	1987/88
Revenue					
Book Sales (1)	360.3	506.9	769.4	812.2	975.3
Grants	338.0	274.1	303.8	453.7	631.2
Other (2)	17.7	32.8	25.8	39.1	55.5
Total Revenue	716.0	813.8	1,098.6	1,305.1	1,661.9
Cost of Sales					
Editorial Wages (3)	6.0	14.5	13.0	16.9	31.5
Royalties	27.5	43.6	68.6	103.9	133.7
Typesetting, Printing, Binding & Other	295.4	389.6	520.5	543.5	588.5
Sub-total *	325.9	447.8	602.1	664.2	753.8
Operating Expenses					
Wages & Benefits	139.1	136.9	196.3	263.1	415.3
Advertising & Promotion	57.1	60.1	82.4	98.0	129.2
Other (4)	139.4	207.4	249.4	282.9	363.0
Sub-total *	335.6	404.4	528.1	643.9	907.4
Total Expenses *	664.4	852.2	1,130.2	1,308.1	1,661.2
Net Profit	51.5	(38.3)	(31.6)	(3.0)	0.7

SOURCE: Data from Manitoba Arts Council, financial statements of publishers, government funding agencies and compiled by Paul Audley & Associates Ltd.

NOTES: (1) Book sales include a limited volume of exclusive agency sales.

(2) Other revenue includes publishing services, foreign exchange gains, interest, etc.

(3) Editorial wages are understated, with figures available only for firms receiving Manitoba Arts Council support.

(4) Other expenses include rent, telephone, travel, entertainment, order fulfillment, interest, etc.

* Totals may not add precisely due to rounding.

Royalties, which represent essentially payments to writers, increased almost five-fold between 1983/84 and 1987/88, rising from $27,487 to $133,731. Information provided by the Manitoba Arts Council and individual publishers indicates that about three-quarters of this amount, or approximately $100,000 flowed to Manitoba writers. Royalties as a percentage of book sales increased from 8.2 percent to 13.7 percent. This change is a positive one, since it benefits Canadian writers, and particularly Manitoba writers, and brings royalty payments made by Manitoba publishers more closely into line with those paid by other Canadian book publishers. The Siegler study had noted that the royalties paid by Manitoba publishers before the ERDA program were low in comparison to average royalties paid throughout North America.

While the cost of sales for the industry has fallen as a percentage of book sales, other expenditures for operations, which include wages and benefits, accommodation, advertising and promotion have increased more rapidly, rising from $335,575 in 1983/84 to $907,420 in 1987/88 -- an increase of 170 percent which paralleled a similar percentage increase in sales. It should be noted that these operating costs may begin to decline as a percentage of sales in 1988/89, assuming the expected increases in book sales referred to above. Nevertheless the industry needs to become more concerned about controlling its costs.

Over the past five years industry expenditures exceeded total revenues, including sales, grant and other income, in three of the five years. For the full five year period aggregate losses exceeded profits slightly (aggregate losses of $73,039 compared with aggregate profits of $52,183). These net losses after grant support resulted in a failure to build up capital within the industry. However, in considering the industry's profit performance it must be recognized that the industry was financing a rapid period of growth, using both its own earned revenues and the government assistance received.

These are in all cases, however, simply averages. In fact, in 1987/88 seven of the ten companies surveyed reported net operating profits while three reported losses.

3.2.6 Economic impact

Methodology

Manitoba book publishers should be recognized for both the important role they play in the cultural and information infrastructure of Manitoba and the contribution they make to the economy of the province. Book publishers provide direct employment opportunities as well as contributing to the demand for goods and services of other Manitoba businesses, such as book printers and typesetters, which in turn translates into additional indirect jobs.

Determining the economic impact of any industry is dependent on the availability and quality of data on both the industry under study and the economic activity associated with the flow of goods and services consumed in the production of the final output. Also required is the capability and

resources to trace these economic relationships in an objective and systematic manner. Because sophisticated economic impact studies typically utilize very expensive econometric models, most economic impact assessments rely on "impact multipliers" as a means of making estimations of the indirect economic impact associated with a defined economic activity. When using this approach, however, it is extremely important to use impact multipliers appropriate to a particular industry. To do otherwise can lead to unrealistic estimates of economic impact based more on hopeful optimism than fact.

In the area of arts and culture, the Culture Sub-division of Statistics Canada has calculated the economic impact and impact multipliers of nine cultural industries using the Agency's input-output model. This approach is generally viewed as being very reliable, as the same model is used to assess the economic impact of all sectors comprising the Canadian economy. Moreover, the approach taken by Statistics Canada allows for consistent estimations and the potential to compare one economic activity with another using the same methodology. For purposes of this study, data generated by the Culture Sub-division on the economic impact of the arts is used as a basis for determining the economic impact of Manitoba's book and periodical publishing industries.

The data collected for this evaluation study provides for a reasonably precise assessment of the direct impact of the Manitoba book publishing industry in terms of net revenues, expenditures on wages and benefits, and employment. Determining the industry's indirect economic impact, however, is somewhat less precise as the results are dependent on the impact multipliers used. Table 6 shows the direct impact of book publishing in Manitoba and the estimated indirect impact based on multipliers provided by Statistics Canada. In the following paragraphs some background is provided on the multipliers used to estimate indirect impact.

The multipliers are 1.75 for output, 1.63 for wages and employee benefits and 1.60 for employment. These impact multipliers were calculated by the Culture Sub-division and pertain only to the indirect impact attributed to book publishing, excluding from their calculation what is referred to as "induced impact", which is the impact associated with the subsequent expenditures by wage earners in both the industry itself and indirectly affected industries. Further, the multipliers only cover indirect impact to the point of first delivery of product by book publishers to retailers or other intermediaries.

The impact multipliers used in the impact assessment of book publishing are believed to be reasonably indicative of the actual situation which exists in Manitoba as they exclude in their calculation the impact associated with importing books by Canadian publishers on an exclusive agency basis -- an activity that Manitoba publishers are involved in to only an extremely limited degree. Using impact multipliers that do not differentiate between publishing own books, which is of benefit to Canadian printers, and the importing of finished product would understate the indirect impact associated with book publishing. It should be mentioned, however, that because only one Manitoba publisher prints books in-house and the multipliers are based on data that includes the capital intensive activity of printing books, the multipliers used should be viewed as somewhat conservative.

TABLE 6

DIRECT AND INDIRECT ECONOMIC IMPACT OF MANITOBA BOOK PUBLISHING
1983/84 - 1987/88

	1983/84	1984/85	1985/86	1986/87	1987/88	TOTAL 1983/84-1987/88
Direct Impact						
Output ($000's)	716	814	1,099	1,305	1,662	5,596
Wages & Benefits ($000's) (1)	158	169	233	304	473	1,337
Paid Jobs (#)	13	13.5	14.5	20	29	90
Indirect Impact						
Output ($000's)	537	611	824	979	1,247	4,198
Wages & Benefits ($000's) (1)	100	106	147	192	298	843
Paid Jobs (#)	8	8	8.5	12	17	53.5
Direct & Indirect Impact						
Output ($000's)	1,253	1,425	1,923	2,284	2,909	9,794
Wages & Benefits ($000's) (1)	258	275	380	496	771	2,180
Paid Jobs (#)	21.0	21.5	23.0	32.0	46.0	143.5

SOURCE: Direct impact: data from Manitoba Arts Council, financial statements of publishers and government funding agencies as compiled by Paul Audley & Associates Ltd. Indirect impact: data are based on impact multipliers provided by Culture Sub-division, Statistics Canada.

NOTES: (1) Direct wages and benefits includes operating wages and benefits, editorial wages, and the estimated proportion of production expenditures attributed to in-house production labour, e.g. typesetting. The estimate of 4.5 percent used is based on actual 1982 in-house labour costs as reported in Karl Siegler's study of the industry.

(2) Data presented in this table reflect the use of what is usually referred to as the "open" input-output model. This model reflects both activity in the designated sector of industry (direct impact) and activity in other industries which are suppliers of goods and services to the designated industry (indirect impact). Use of the open model produces lower impact figures than those resulting from use of the "closed" model, which incorporates the impact of the re-spending of wages and salaries by wage earners (induced impact). What is reflected here is, therefore, only the economic impact attributable directly and indirectly to the industry's activities as a component of the productive structures of the economy.

Direct Impact

As indicated in Table 6, the total revenue of Manitoba book publishers of $1.662 million in 1987/88 generated 29 person-years of paid employment (including employees and working proprietors). Book publishers also paid out $ 0.473 million in wages and employee benefits representing an average employment expenditure of $16,310 per person-year. This table also shows that the high growth of the Manitoba book publishing sector over the period 1983/84 to 1987/88 has served to more than double employment in the industry, and to more than triple its expenditures on wages and employee benefits.

Table 7 provides detail on direct employment in Manitoba book publishing over the five year period. The table shows that most of the growth was full-time employment as the number increased from 8 to 23 jobs. In comparison, part-time employment increased from 10 to 12 jobs. While not shown in the table, in Karl Siegler's 1983 study of the industry, he determined that the industry had 15 person-years of paid employment in 1982; however, seven were financed by a LEAP grant plus an additional federal employment grant.

TABLE 7

EMPLOYMENT OF MANITOBA BOOK PUBLISHERS, 1983/84 - 1987/88

	1983/84	1984/85	1985/86	1986/87	1987/88
Full-time	8	7	12	15	23
Part-time	10	11	5	10	12
Person-Years	13	13.5	14.5	20	29

SOURCE: Data from Manitoba Arts Council, government funding agencies and book publishers, as compiled by Paul Audley & Associates Ltd.

Direct and Indirect Impact

Table 6 shows that in 1987/88 the total direct and indirect impact of book publishing in Manitoba contributed $2.909 million in output to the economy of Manitoba, resulted in wages and benefit expenditures of $0.771 million and produced 46 person-years of employment, of which 29 were direct and 17 were indirect. Based on the expenditure data of book publishers and data provided by Winnipeg book printers, where one job is generated for an average of $80,000 in revenue, it is estimated that eight printing and production jobs can be attributed to book publishing in the province.

One can assume that most of the indirect impact occurred in Manitoba because virtually all Manitoba published books are produced in the province. Karl Siegler reported that 98.4 percent of expenditures by Manitoba book publishers on typesetting, paste-up, art work, paper, printing and binding were for services provided by Manitoba businesses in 1982. Publishers interviewed for this evaluation indicated that they almost always use the services of local printers. Manitoba printers interviewed for this study confirm that publishers in the province use printers located in the province. Because Winnipeg has well developed and competitive printing and graphic arts industries little need exists for publishers to go outside the province for production and printing services.

The data in Table 6 are also useful as a tool for forecasting the potential impact on employment and employment expenditures of an incremental $1 million generated by Manitoba book publishers. This additional revenue would generate direct and indirect employment of 27.7 jobs and $0.464 million in wages and employee benefits.

4.0 IMPACT OF PUBLISHING DEVELOPMENT PROGRAM

4.1 Overview of Assistance Provided

As Table 8 indicates, total expenditures in support of book publishing in Manitoba through the five ERDA program components is expected to be $693,661 at the end of five years of operation, i.e. by March 31, 1989. An additional $50,000 was spent on a study of independent bookstores. The annual level of expenditure has varied from a high of $263,916 in 1984/85 to a low of $50,558 in 1985/86.

For the first two years of the program the emphasis was on the Library Purchase component of the program, a program intended to enhance the sales of Manitoba publications to public and school libraries. Over the five year period the Library Purchase Program will have accounted for over half of all ERDA expenditures to assist book publishers.

The remaining components of the program did not begin until 1986/87. At the end of the 1988/89 fiscal year it is projected that a total of $338,599 will have been spent, reflecting three years of operation for these components.

Each of the program components is examined separately below. The purpose of this section is to be clear as to the specific nature and extent of the assistance provided and to assess its impact based on available data and interviews.

TABLE 8

SUPPORT PROVIDED TO MANITOBA BOOK PUBLISHERS UNDER ERDA
BY COMPONENT AND YEAR, 1984/85 -- 1988/89

	1984/85	1985/86	1986/87	1987/88	(Projected) 1988/89	TOTAL**
Library Purchase	263,916	45,621	45,525	--	--	355,062
Employment Assist	--	--	43,463	37,295	33,000	113,758
Technology	--	--	66,600	--	--	66,600
Prof. Dev.	--	1,457	9,730	323	9,136	20,646
Marketing	--	3,480*	44,493	41,862	47,760	137,595
TOTAL	**263,916**	**50,558**	**209,811**	**79,480**	**89,896**	**693,661**

NOTES: * Includes only funds provided to the Association of Manitoba Book Publishers (AMBP) to promote books sent to public libraries through the Library Purchase Program.

** Total excludes funds expended for printing of order forms and other relatively minor direct expenses.

4.2 Library Purchase Program

The Library Purchase Program had two principal goals: first, to contribute to the growth of book publishing in Manitoba; and, secondly, to provide people in the province with increased access to Manitoba books. While expenditures under this component occurred in each of the first three years, the program was only offered twice to participating libraries. The second year of the program simply extended into fiscal 1986/87.

With respect to its contribution to industry growth, the Siegler study, which recommended that such a program be established, had noted that the resulting purchases would move some Manitoba publishers above the $50,000 threshold of sales which was a criterion of access to the federal Book Publishing Development Program, speculating that the result would be an additional $30,000 to $45,000 annually of financial assistance to Manitoba publishers. A further premise of the Library Purchase Program was that Manitoba publications were not available in, or being purchased for, Manitoba libraries to the extent that seemed appropriate. The Siegler study had indicated that this reflected the limited budgets of Manitoba libraries, a lack of awareness of Manitoba publishers and publications, and established acquisition practices which tended to result in under-representation of Manitoba books. The earliest documents concerning the Program suggest that its goal was to both expand Manitoba publisher's share of that public sector market and to retain an expanded share after the Program was terminated.

At the beginning of the ERDA program just one publisher was receiving assistance through Communications Canada's BPDP. Over the three years that the Library Purchase Program operated the number of Manitoba-based publishers receiving support through the BPDP increased rapidly, rising to three in 1984/85, five in 1985/86 and seven in 1986/87. An analysis of sales data for individual publishers for 1984/85 indicates that for most of the publishers who reached the eligibility level of BPDP the Library Purchase Program had permitted them to qualify. By 1986/87, however, most of the companies that qualified would have done so without Library Purchase Program sales.

The Library Purchase Program does appear to have been effective in quickly providing Manitoba publishers with substantially increased access to federal government assistance through the BPDP. Because the resulting assistance from this established federal program helped them to expand their publishing activities and, therefore, to remain eligible for such assistance it is difficult to be precise about the relative impacts of the ERDA program and the BPDP, except to observe that the ERDA funds spent had a significant leveraging effect. As Table 9 indicates, the level of BPDP assistance which flowed to Manitoba publishers in this period was quite substantial, $255,250 over the three years.

Program files for the period indicate that the response of librarians to the purchase program was mixed. On the one hand, librarians sometimes objected to the program on the grounds that they ought to be given their total acquisition budget without restrictions and allowed to decide for themselves to what extent they should use the available funds to buy books from Manitoba writers and publishers. However, there seems also to have been a recognition among librarians that their budgets were limited and that the special purpose funding available through the ERDA agreement was money they would not otherwise have had available at all and that it was desirable to expand their holdings of Manitoba books.

On the latter issue, the Manitoba School Library Audio Visual Association (MSLAVA) representing about three hundred elementary and secondary school librarians, expressed its views prior to the initiation of the program. Referring to recent curriculum changes in the province, MSLAVA noted that "Increasingly, new curricula are emphasizing provincial as well as national concerns" and, referring specifically to the Social Studies curriculum, that the result was "enormous demands for materials about Manitoba." The same brief noted that "the province's education program calls for materials to reflect the cultural diversity of the province." MSLAVA wanted to see more done to make librarians aware of existing materials to meet such needs, as well as an expanded range of such books.

From a cultural perspective the purchase program for books was clearly positive. The result was that a wide range of books, largely by Manitoba writers and of widely varying types -- including biographies and histories, books on the environment, the economy, social issues, geography, architecture, art, ethnic groups in society, poetry, fiction and so on -- ended up being available in libraries in the province. Assuming that the funds were special purpose funds these acquisitions did not reduce the libraries' ability to buy other books.

TABLE 9

B.P.D.P GRANTS TO MANITOBA BOOK PUBLISHERS BY PUBLISHER

	1983/84	1984/85	1985/86	1986/87	1987/88
Les Editions des Plaines	--	--	14,315	14,906	2,024
Frye Publishing	--	11,676	15,636	12,194	
Hyperion Press Ltd.	--	--	27,020	17,342	10,864
Pemmican Publishing	--	11,038	18,577	13,912	8,025
Peguis Publishing	--	--	--	40,538	29,708
Queenston House	12,024	--	--	16,878	
Turnstone Press Ltd.	--	10,445	17,955	12,818	6,009
TOTAL	12,024	33,159	93,503	128,588	56,630

SOURCE: Compiled by Paul Audley & Associates Limited from information from Communications Canada.

For the future, however, the issue is whether there has been a change in librarians' awareness of Manitoba publishers and the books they produce and whether libraries are now more likely to purchase Manitoba books than they were before the program. On this issue the experience and views of book publishers vary. The general response, however, is very positive. Most feel that the program did increase awareness of Manitoba books and publishers and the program's role in making a number of publishers eligible for federal support through the BPDP is recognized. However, one publisher expressed the view that the program alienated librarians and that it had been necessary to work at repairing the relationship; while another pointed out that not all librarians liked the program.

Views differ on the extent to which library sales in Manitoba have stayed at a higher level after the Library Purchase Program ended. All of the publishers interviewed thought they were doing better than before the program, but to varying degrees. Some reported that they had maintained their profile and expanded sales in the Manitoba library market, while others said that sales were only a little better, and referred to an increase in the number of standing orders they now have with libraries in the province. The general perspective that emerges from publishers' comments is that there has been some improvement but that sales are still not as high as publishers think they ought to be. There is limited support, however, for a reinstatement of the program, with publishers generally prepared to simply try to market their books more successfully to this component of the market. It is widely perceived that library acquisition budgets are limited and that this is a major element of the problem publishers encounter in achieving increased library sales.

4.3 Employment Assistance Program

In response to a recommendation of the Siegler report a program was established to assist Manitoba publishers in expanding their staff, on the premise that with an expanded staff they could more readily achieve expanded sales. The program guidelines, which came into effect in 1986, covered 75 percent of the cost of an additional employee the first year, 50 percent the second and 25 percent in the final year (based on salary levels of $17,500, $18,000 and $18,500 in consecutive years). Emphasis was placed on supporting long-term skill development and training for these employees, in order to expand the professional publishing skills of the industry. Employment and Immigration Canada agreed to cover part of the cost of employees added under this program, thereby leveraging the ERDA funds, potentially to the extent of 25 percent of wages paid in the first year.

To qualify for support, publishers were required to prepare three year business plans, indicating how they planned to increase their revenues to a point at which the additional salary could be covered.

The criteria established for this program were reasonable and the component was fundamentally successful, in that, with one exception, the six book publishers who participated indicate that they are likely to be able to retain the additional position created. One of the publishers was not certain of being able to keep the extra employee.

The six firms are now in the third year of the program. The business plans filed with the program management as part of publishers' applications in 1986 projected that the book sales of the participating firms would rise to an aggregate level of $529,690 in the first year of the program and $628,421 the second year. If one treats 1986/87 as the first year (although publishers had an additional employee only for part of that year) revenues in the aggregate rose to $561,596 in 1986/87 and $672,738 in 1987/88. Not surprisingly, the performance of individual publishers varied, with two ahead of their projections at the end of their second year, one about on target and three below. If, however, we were to treat 1988/89 as the second year of operation of the program -- and it was the second full year -- then five of the six participating firms would be meeting or exceeding the targets set in their three year business plans.

When the Employment Assistance Program was approved, it was intended that there be regular progress reports every six months. However, consolidated and comprehensive progress reports reflecting the six month progress points do not appear to be available, although, as noted above, the book publishers involved do generally appear to be achieving the goals they established. There is a sense of frustration in the industry over the extensive "paper burden" imposed on them in responding to a number of different program requirements and funding agencies and it is not surprising that there are difficulties encountered in meeting some of the information requirements. We address this issue further later in the report. Nevertheless, it would be desirable to identify the minimum information required and to monitor progress more systematically than has been done in the past.

Since the goal of the program was to assist the industry in adding professionally skilled publishing staff, the success of the employment assistance provided depended to some extent on the Professional Development Program. That program is examined separately.

While publishers appear able to retain the employees hired under this program, it must be understood that this is possible only if one assumes that they will continue to receive financial support through other programs. This reality, of course, is not unique to publishers based in Manitoba.

4.4 Access to New Technologies

Like many other industries, book publishing has been affected significantly in its operations by technological change. Among the aspects of industry operation that are affected are the following:

a.) Text in-put, editing and text revision

- through the use of computers and word processing the handling of written text has been made far more efficient. This improvement in efficiency affects both writers and publishers.

b.) Text formatting and printing

- special software systems, developed to format text, can be used with laser printers to produce camera-ready material for printing.

c.) Management and administration functions

- computers can also be used to handle inventory control, order processing and accounting functions. The resulting ability to manipulate information using the computer provides the potential to benefit financial management, marketing and administrative decision-making within publishing companies.

d.) Customer information and order placement

- Computers combined with telecommunications provide the potential to provide publishers' customers with better access to information concerning titles published and inventories available, and permit customers to place orders quickly. Electronic information and ordering systems can be run either by individual publishers or, as in the case of the Canadian Telebook Agency (CTA), on behalf of many publishers.

In August of 1984, soon after the ERDA Agreement was proposed, the Association of Manitoba Book Publishers requested approval under the New Technologies Applications section of the Agreement to carry out a study of the feasibility of a computer system for Manitoba publishers. With reference to the Siegler study, the letter requesting this assistance argued that the realization of expansion of book publishing in Manitoba "will largely depend on Manitoba publishers' access to new technologies."

An original feasibility study was carried out in October, 1985 by Tomislav Milinusic of Axion Spatial Imaging Ltd. in Edmonton. At that time eight publishers were interested in computerizing their operations. The consultant's report noted that "Each publishing organization has its own reasons for wanting to computerize, and each has specific ... requirements." That original study noted that some publishers were primarily interested in reducing their typesetting costs, while others were more interested in accounting, administrative and marketing functions. Among the special typesetting requirements noted were "maths text, scientific notations and foreign character sets". The so-called foreign characters referred to seem to have been French, Cree and perhaps other aboriginal languages. The study also noted that it was questionable whether all of the elements of the system proposed needed to be in each publishing house, with some operations being too small to justify a laser printer or an extra computer terminal.

No action was taken on the original feasibility study, although the AMBP did file an application soon after completion of the study with the federal Book Publishing Development Program and the ERDA program on behalf of the Association and member publishers. The proposal was modelled on a similar system developed by Alberta publishers. Because of the sales threshold which had to be met by individual publishers receiving BPDP support, a joint proposal represented the only approach which would permit most of the Manitoba publishers to qualify for federal funding. While the ERDA program had budgeted for this expenditure in fiscal 1985/86, BPDP approval was not given. Instead, approval was finally given by both the BPDP and ERDA program late in fiscal 1986/87.

When the computerization project was approved, the total costs were $176,700. Of this amount the federal BPDP covered 60 percent, or $106,100, the ERDA program 37 percent, or $66,600, with publishers covering $4,000.

By the time approval was given the AMBP and publishers in Manitoba had had a chance to see how the system originally proposed (the Unix operating system) was working elsewhere. Industry needs were reviewed with the same consultant, based on assistance provided by the ERDA program. As a result of a review of problems associated with the system originally proposed and the advice of the consultant the AMBP wrote to the BPDP requesting approval for changes in the computer systems to be acquired. The request to BPDP called for a shift from the Unix system to an MS-DOS or MacIntosh system, and requested "that we allow greater flexibility in the configuration of hardware and software for each publisher". The decision to shift from the Unix system reflected a judgement that more recently developed alternative software and systems were simpler to operate. In requesting greater flexibility, the AMBP stated that:

we have each re-examined our specific needs and have concluded that greater flexibility in the configuration of systems for each publisher is essential.

The AMBP noted particularly that Pemmican Publications publishes in both Cree and English and "requires a system that will switch effortlessly between Cree and English fonts". They advised the BPDP that Pemmican had easy access to people trained on the MacIntosh system and that "Our consultant agreed that for their specialized needs the MacIntosh system was the best choice".

Two other publishers also had chosen a combination of MacIntosh and IBM compatible hardware and software. The remaining five had chosen to shift from Unix to DOS software for both business and publishing applications on IBM compatible hardware. Each system included two computers, a laser printer at a cost of $8,000 and $3,400 in software, including word processing, text formatting, accounting and spread-sheet systems. The overall cost of the systems for the eight recipients would not have been higher based on the requested revisions.

The BPDP accepted the general change from Unix, but rejected the request to permit flexibility in the system given to individual publishers. The reason given for rejecting the requested flexibility was that it would constitute a substantial change from the original proposal and would contradict the project's original intent. With reference to Pemmican's needs, for example, the BPDP stated that:

> The configuration proposed for Pemmican may be totally in line with the firm's current and future needs. However, the configuration substantially deviates from the original proposal and is not in line with the ultimate objectives of the project.

In the case of Pemmican it should be noted that the alternative system requested would have cost $1,490 less than the system requested for most of the other publishers and ultimately purchased for Pemmican.

As a result of the BPDP decision all eight recipients received precisely the same hardware and software. The recipients included seven publishers and the AMBP, although the latter received only part of the system at less than half the cost. At the time the interviews were done for this study the systems had been installed and operating for just over a year.

Publishers who received these systems offered different comments on the extent to which it had helped them and the uses that were being made of it. In two cases publishers were using the system to produce camera-ready copy of both books and advertising and promotion material, as well as using the accounting package. Other publishers were using the system more selectively. Pemmican Publishing noted that they had needed a MacIntosh system to handle native language syllabics and were using the system to produce advertising and promotion material but not text. Editions du Blé has still not been completely successful in adapting the computer system to properly handle French.

Another publisher noted that the computer was being fully used but felt that the software originally selected was not good, with the word processing software needing major changes and the accounting package needing to be replaced. There were in fact a number of comments concerning the software, with most feeling that it had significant limitations. However, the software costs were not the major part of the expenditure and changes can be made, while still using the hardware purchased.

There was a good deal of frustration that it took so long to learn to use the system. Inadequate provision seems to have been made for training of publishers' staffs. As one of the publishers stated, part of the difficulty encountered with this component of the ERDA program stemmed from the fact that the publishers committed virtually none of their own money and, therefore, went into an ambitious computerization initiative without looking at its real cost implications, which must include the cost of implementation.

Obviously, one the objectives of this program was to increase productivity in the book publishing firms affected. With respect to text composition, for example, the goal was to reduce costs. One publisher we interviewed stated that the savings achieved on typesetting in the first year of using the program were $4,000. The same publisher, however, reported not having enough staff and needing to add a production person.

It is, of course, precisely the costing of staff time that makes any exact identification of productivity gains difficult. To the extent that using the new computer system and laser printer take up the time of existing staff there may appear to be productivity gains, but if these gains are achieved at the expense of attention being given to marketing, the development of the publishers' list, or other publishing functions there may be a loss in effectiveness in the publishing operation which must be considered a cost, even if it is difficult to quantify. A recent study (Out of the West: The Business of Publishing and Writing in Alberta) prepared for the Alberta Government raised precisely this concern about the potential for in-house book production activities to get in the way of basic publishing functions. Noting the distinct difference between book production and book publishing, Jim Douglas, the author of that 1986 study (and an experienced book publishers himself), commented that:

> Undoubtedly, there are many gifted people who have the ability and temperament to undertake the two dissimilar functions. Too often, one or both functions pays the cost of the principals's divided attention. And this is most marked in small companies.

At this stage it is premature to judge to what extent this technology purchased for publishers will result in productivity gains. However, what is certainly clear is that these systems are by no means being fully utilized in all cases. It also seems clear that it was a mistake to proceed on the premise that all publishers must have exactly the same hardware and software.

What is important at this stage is to ensure that these systems are used as effectively and as appropriately as possible within individual publishing firms. It would be both appropriate and helpful if assistance continued to be provided for two purposes. First, it would be helpful if individual publishers could on an agreed cost sharing basis have access to consulting advice concerning the effective utilization of the systems purchased. Such advice should include a consideration of which functions can be handled effectively internally without damage to other vitally important publishing functions, whether alternative or adapted software might better meet the publishers requirements, and to what extent each publishers' staff has the necessary knowledge and skills to apply the equipment and software they own.

Secondly, it would be desirable to maintain a capacity to assist publishers in up-grading software or, in the case of firms which did not participate in the program, acquiring hardware. Such assistance should be predicated upon a proper needs assessment which does not assume that every publisher should have all the equipment and software available. This issue is looked at further in part 6 in relation to project assistance.

One technology-related issue which continues to require industry attention is the involvement of publishers in the Canadian Telebook Agency's (CTA) Canadian Sourcing Database. According to CTA just three manitoba publishers are currently listing their titles with CTA. Since CTA is an increasingly important source of title information to retail bookstores and may in the future become equally important to libraries, it appear desirable in most cases for publishers to be involved. This issue requires further attention, as part of an enhanced focus on marketing.

Finally, it must be noted that some concerns were expressed by publishers about the sourcing of the computer system purchased. Publishers reported that they encountered some difficulties because the package was assembled from a number of suppliers, all of them outside Manitoba. While the concerns expressed were neither extreme nor universal some publishers do seem to have encountered servicing problems with the Texas-based supplier. Some publishers stated that they would have preferred Manitoba sourcing. We were advised that no local computer outlet is prepared to provide maintenance contracts for these systems, because the components came from "all over the map", and that the installation was not done as part of the purchase, which is normal practice. While we did not confirm these claims there is at least some perception of difficulty in the process followed. However, the emphasis should obviously be on ensuring that action is taken to ensure as effective use as possible of the systems purchased.

4.5 Professional Development

Section C, Component 6 (b) of the Agreement quite properly recognizes the need for a Human Resources Support Program for Cultural Industries, and specifically that "The existence of a strong, appropriately skilled Manitoba human resource base is essential to a creative, dynamic, and viable Manitoba cultural industry."

Earlier sections of this report indicate that the revenue base of book publishing in Manitoba has grown from $716,000 in 1983/84 to $1.7 million five years later, with revenue from book sales tripling. In line with that expansion, employment in the industry has expanded. With most of those new employees having no background experience in book publishing it becomes extremely important to the success of the industry that their skills be strengthened. More generally, the success of the industry will depend on enhanced knowledge and expertise in a wide range of areas: including financial management, accounting, editing, design, distribution, sales, promotion, advertising, etc.

As noted earlier the original publishing development program made provision for $74,300 to be spent to assist in professional development over the five year period, including both book and periodical publishing. Apart from a special financial management seminar held in September, 1985 prior to the formal initiation of the professional development component of the program no activities were carried out until fiscal 1986/87.

The main emphasis has been on offering workshops or seminars in Manitoba organized in co-operation with the AMBP. For each of these seminars an expert or experts were brought in to speak to publishers and work with them on some particular aspect of publishing. The following seminars/workshops have been held since the program began:

1.) Financial management (Karl Siegler) 5 days, September, 1985;

2.) Book marketing (Bill Harnum, Mary Schlendinger) two 3-day sessions, September and November, 1986;

3.) Book editing (Douglas Gibson), 1 day, Spring, 1987;

4.) Book design (Robert MacDonald), 1 day, February, 1987;

5.) Educational publishing (G. Redden, L. Weigl) 1 day, Spring, 1987

6.) Book marketing and marketing and the computer (Steve Osborne, Mary Schlendinger), 3 days, June, 1988.

To the end of fiscal 1987/88 total ERDA expenditures on professional development activity for book publishers were $11,509. To the present time 17 days of training or educational activity have been offered to book publishers.

Most publishers have been involved in these special professional development activities and feel that they have been helpful.

One publisher expressed the view that follow-up was lacking. Since all PD activities offered were in English, the value to francophone publishers appears to have been reduced. One publisher also reported attending seminars in Toronto and thought that to some extend the Winnipeg seminars were an

unnecessary duplication. That particular publisher thought that going to Toronto made the firm more a part of the national industry and established valuable contacts.

What all publishers agree upon is the continuing need to enhance publishing skills in the industry. To the extent that views differ, it is on how best to achieve that purpose.

One of the difficulties that arises in the industry is that the publishers involved focus on significantly different kinds of publishing, deal with different markets, have differing levels of staffing and specialization, and are at different stages of skill development. As a result it is difficult to organize activities that are just right to meet the needs of all publishers. It is equally true that a single day event may not be effective in achieving some training and development goals.

The need both for more individualized and more advanced professional development initiatives has been recognized already by publishers and ERDA program management. The approach explored has been to assist publishers to bring in specialized assistance for a short period to actually work with a particular firm and improve some aspect of its operations while teaching staff more about the particular function involved.

Based on our interviews and examination of the industry there remains an acute need to continue to assist with professional development and skills enhancement if the industry is to continue to expand effectively. Ideally, more wou'd have been done both on an individualized basis and for the industry as a whole over the past five years. Individual publishers and the AMBP recognize this need.

In the marketing area specifically the ERDA program has already begun to assist individual firms by providing them with access to specialized marketing consultants who can work with them both to assist in developing improved marketing plans and help strengthen their own understanding of marketing strategies. A similar approach in other aspects of company operation would also be helpful.

In the future professional development assistance should continue to be provided and a more ambitious approach should be taken. However, the approach taken should be considerably more flexible than in the past and should not focus primarily or exclusively on seminars intended for the whole industry.

The relationship between the AMBP and ERDA program management appears to have been co-operative and mutually beneficial in the past and AMBP should be consulted before expanded guidelines for professional development are implemented. It will, however, be equally important to consult the Manitoba Arts Council (MAC) and the Book Publishing Industry Development Program (BPIDP) before implementing any revised guidelines. MAC provides assistance to eligible individual book publishers to attend professional development seminars and workshops outside Manitoba, covering up to 50 percent of travel costs and registration/tuition, plus a per diem expense allowance. The BPIDP also provides funding support to recognized Canadian book publisher

associations for developing and conducting professional development programs for their memberships, and subsidizes personnel from individual publishing firms and industry associations to participate in external courses or seminars offered outside of the publisher association seminars. Industry associations administer all such support. BPIDP allocates $25,000 to fund both research and documentation projects and professional development through French and English-language book publishing associations.

The co-ordination of program support to publishers needs to receive careful attention. As we recommend later in this report, a selective continuation of ERDA support, or of support through some Canada-Manitoba co-operative initiatives under whatever formal structure, should operate with a proper federal-provincial steering committee. That committee ought to include representatives of MAC, the Canada Council and the federal Department of Communications.

In the case of MAC and the ERDA programs, or their successor, it may be desirable to have either MAC or the ERDA program involved in supporting professional development. It seems unnecessarily complex to ask publishers to deal with two separate programs in Manitoba on issues related to professional development. Since there are publishers who are not eligible for MAC support, it appears preferable to consolidate professional development support responsibility in ERDA, or an amended successor program. We look further at this issue in chapter 6 below.

4.6 Marketing Assistance Program

One of the fundamental, broad objectives of the ERDA agreement and programs was obviously that of increasing the sales achieved by Manitoba publishers and books. The original approach taken to expanding sales was to increase demand directly through the Library Purchase Program; and, through the independent bookstore study, to move in the direction of expanding independent retail outlets in the province. The premise of the latter initiative was that independent retail bookstores were essential to the success of Manitoba publishers. In the original plan for the ERDA program, as approved in the Fall of 1985, the only funds designated to assist publishers with the cost of increased promotion, sales and other marketing expenses were those set aside for export marketing. The amount designated was just $12,000 for the five year period.

When a decision was made later to terminate the Library Purchase Program it was recognized that publishers would have to rely to a much greater extent on increased marketing efforts if they were to sustain the increased sales achieved through the purchase program. In addition, when the independent bookstore study did not result in decisions which might expand that important component of the market for Manitoba books, the result was also an increased recognition of the need for strengthened marketing efforts. As a result, a decision was made in October, 1986 to reassign $213,000 from other ERDA components to fund a Marketing Assistance Program for book and periodical publishers.

In broad terms we can see from Table 5 that publishers expenditures on advertising and promotion increased by 126 percent between 1983/84 and 1987/88, rising from $57,000 to $129,200. Most of that increase came in the last three years of this period. Marketing, of course, includes costs other than advertising and promotion. Sales expenditures, for example, increased very substantially over this period as well, with such expenditures showing up in the tripling of wages and benefits. The Employment Assistance Program, which began to take effect in the Fall of 1986, was a factor in increased staff time being spent on marketing activities generally. It is not, however, possible to be precise about the extent of increased wage and salary expenditures committed to marketing, because most staff members carry out activity in more than one area.

Regardless of the precise details on increased marketing expenditures, it seems evident, however, that most of these increases came in the last three years of the program. If we look at the level of book sales reported it also seems clear that, after stalling in 1986/87, sales growth resumed in 1987/88 and 1988/89. To be more precise, after increasing by 41 percent in 1984/85 and 52 percent in 1985/86, book sales increased by only five percent in 1986/87. Subsequently, growth resumed, resulting in increases of 20 percent in 1987/88 and an estimated 22 percent in 1988/89, with these percentage increases being achieved from a significantly higher base.

It is difficult in general terms not to conclude that the increases achieved in the earlier years of the program reflected mainly the Library Purchase Program, while the increases achieved since then reflected expanded sales, advertising and promotion expenditures. In assessing the extent of such sales growth after the termination of the library purchase program it is important to understand that sales growth had to offset the loss of library sales that resulted, before any net increases could be achieved.

Manitoba publishers were neither attracting private investment to finance growth, nor were they likely to during this period. They were also not generating surpluses from their operations which could have been invested in expanded marketing activities. As a result, it seems clear that the level of growth achieved depended to a very substantial degree on the targeted public support provided through the ERDA marketing program, in combination with the employment assistance component.

The guidelines established for the Marketing Assistance Program provided for a significant degree of flexibility. The intention was to give priority to projects with tangible sales results and which were part of long-term marketing strategies. The guidelines excluded the funding of any activities funded from other sources, such as the Canada Council, Manitoba Industry, Trade and Technology, or the Association for the Export of Canadian Books (part of the BPIDP which is administered separately) which also supported some specific categories of marketing activity.

The guidelines also required that publishers cover 25 percent of the total costs of any marketing activity for which they requested assistance. A limit

of $5,000 was set for any single marketing project proposed, and no single publisher could quality for more than $10,000.

The guidelines established appear to have been appropriate and the program has been administered in a way that is consistent with them. The publishers interviewed did not raise any serious concerns about the guidelines for this component. There is also a general recognition that the marketing expertise and activities of the publishers require further up-grading, if expansion is to continue.

While publishers recognize that the marketing component is a key one, they raised some concerns about the way the marketing component has operated. Some expressed concern that the amounts requested were often reduced drastically without any rationale being offered which seemed satisfactory to them. One publisher noted that sometimes the money which was provided was not enough to be worth the trouble. In fact, while publishers were told that they could each apply for up to $10,000, the reality is that the budget was much too low to permit the program to actually provide that much funding. Nevertheless, all publishers view this as a component which has been very useful and which continues to be important. For the two French-language publishers marketing has a particularly high importance, reflecting their minority status in Manitoba and their distance from the main French-language market in Quebec.

While most publishers were satisfied with the speed with which their applications were dealt with, a minority raised concerns. One recounted an experience of not receiving a decision on a marketing application until six months after it was submitted and complained of learning of the decision too late to be able to act upon the plans submitted. Another publisher commented that, while the decisions were usually made reasonably quickly, the actual financial support promised was slow to arrive.

Concerns were also raised about the practice of using outside consultants to assess all the marketing proposals submitted. While this was a concern that was not raised frequently, we did review the way this process has worked and identified a number of issues which should be addressed.

First, the practice has been to use only consultants outside the province. While this may have the advantage in theory of ensuring greater objectivity in the resulting assessments, it is not clear that these benefits are fully achieved or, more importantly, that the price paid in terms of a lack of full awareness of publishers' lists, and the nature of the provincial and regional market is worth paying. While the consultants involved have clearly made a significant contribution, consideration should be given, after three full years of operation of the program, to either using other consultants or discontinuing the regular and systematic use of outside consultants. The amounts of money being distributed are not large and it is not obvious that there continue to be benefits from such assessments.

To the extent that program management seeks outside assistance from consultants it might be useful to consider doing this less frequently and using consultants with more specialized background, reflecting the significantly different types of publishers operating in the province. In the

past, for example, the marketing strategies and proposals of the two francophone publishers have been examined by consultants who have little knowledge of French-language publishing in Canada or of the francophone market. Similarly the proposals and strategies of Peguis, which focusses primarily on the educational market, have been examined by consultants who are not involved substantially in marketing to educational institutions. In addition to moving to the use of more specialized consultants and less frequent use of them, consideration should be given to seeking advice from an individual or individuals located in Manitoba. Marketing plans for trade publishers, for example, might profitably be examined by an experienced knowledgeable retail bookseller. In suggesting these changes we do not intend to imply that the use of consultants in the past to assess all marketing applications was unproductive, but simply that, as the industry expands and diversifies further, a new approach should be considered.

Regardless of the approach taken to such consulting advice, the final decisions must be made independently by the program manager. There should be no hesitation about not accepting fully the advice given, since ultimately it is the program manager who is most knowledgeable of publishers' operations and best able to judge what is reasonable.

Obviously these comments assume that, whether within the ERDA framework or some altered structure, marketing assistance should continue to be available to Manitoba publishers from a specially designated program complementary to existing federal and provincial support programs. In fact, the level of such assistance to book publishers should increase from the current level of just under $40,000, to at least $75,000. This issue of future program funding is looked at later in a more integrated way.

Care will have to continue to be taken to ensure that the guidelines for this program are complementary to those of the Canada Council and the AECB. However, Manitoba publishers are not yet receiving substantial funding from these programs.

Guidelines for the Marketing Assistance Program require that publishers provide a full report on all activities undertaken with marketing assistance. The performance of publishers in meeting this requirement is somewhat uneven. The difficulty is not that publishers do not report, but rather that the reports vary from the vague and uninformative to those which are relatively detailed and helpful in assessing impact.

While the publishers are asked to respond to an excessive number of information requirements it remains essential that there be a factual basis for assessing the effect of public expenditures. The essential thing is to identify the most important information that is required and to establish a more efficient system for reporting that information. As the industry continues to develop, both the publishers themselves and the funding agencies require more integrated and helpful information concerning their activities. If the currently excessive duplication of reporting requirements could be reduced it might become more reasonable to expect improved reporting on the impact of initiatives such as the Marketing Assistance Program.

4.7 The Independent Bookstore Study

The 1983 Siegler study identified for future attention the study of initiatives which might strengthen the system of independent bookstores in the province. The following quote from that study indicates the nature of the concern raised:

> No network of good, independent bookstores exists in the province of Manitoba. Apart from one excellent general independent, and a handful of specialized independents in the city of Winnipeg, most bookstores in Manitoba are operated by the three chains and department stores with head offices in Ontario. These Manitoba chain outlets do not stock, in the main, a good selection of Canadian trade books,a nd their stock of Manitoba trade books is negligible to non-existent.

Based on a recognition that independent bookstores in Manitoba serve as the major marketing and distribution outlets for books and periodicals written and published in Manitoba, agreement in principle was given in 1984 to proceed with a study of independent bookstores in Manitoba. After a review of the proposed terms of reference for the study by an independent advisory committee and a formal tendering process, Peat Marwick was hired to carry out a study. As recommended by the Siegler report, particular attention was to be given in that study to a review of the accredited bookstore system in Quebec, which had been established to strengthen retail bookstores in that province by directing an increased volume of business through retail outlets. The essence of the Quebec system was that publicly funded institutions, including schools and libraries would buy through bookstores accredited by the Quebec Government.

Concern about the relative weakness of the retail bookstore system in Canada and the impact that has on Canadian publishing go back decades. The 1973 Report of the Royal Commission on Book Publishing, for example, stated that "generally speaking the retail bookselling industry in Canada is woefully underdeveloped in relation to the geographical extent of the country ..." The Report went on to note that the distribution system for books that exists in most of Canada and in the United States "is unlike that which prevails through most of the rest of the English-speaking world, including Great Britain ... In Great Britain, the book industry generally supports the Net Book Agreement, under which orders, even from libraries and educational authorities, are normally channelled through accredited retailers." In relation to Canada the Royal Commission concluded that "We are obliged to ask ourselves whether the institution of a similar system ... would help book publishing and bookselling more than it would hinder library and educational purchasing."

The Royal Commission noted that this question was at that time the subject of an experiment in Quebec and that "The legislation and orders-in-council which set forth the new 'politique du livre' of Quebec have as their objective nothing less than the channelling of almost all publicly funded book buying through accredited booksellers". Commending this Quebec initiative as one which should be considered by other jurisdictions the Commission reiterated

its view that "retail bookselling in Canada is in a pitifully underdeveloped condition in comparison with bookselling in most other countries, particularly in Europe" and argued that:

> To be able to browse through a representative collection of recent Canadian books should be the privilege of every citizen in this country, or at least of everyone who lives in a built-up area.

This issue is one which has continued to receive attention. For example, a study completed for the federal Department of Communications in August, 1984 ("Development of Options for Action in Key Sectors of Canadian Book Distribution") concluded that:

> If publishers and public libraries could be encouraged to regard bookstores, perhaps accredited bookstores as the source of their books-- at rational discounts -- not only would inventories of Canadian-authored titles expand, but the channelling of institutions sales through retail booksellers could produce a startling growth in retail bookselling. It is the conviction of many in the industry that bookstores would appear in locations where they are not now viable. Small towns, for example, would have bookstores to service the needs of their citizens, libraries and schools. And the ability of bookstores to enhance the quality of their fixtures, inventory, the ability to hire employees, advertise and display new books would improve.

The same study noted that in Quebec the new system discussed in the Royal Commission's Report of 1973 was still in effect over a decade later, with its essential elements unchanged. A survey carried out for the study found that retail booksellers believed by a margin of about nine to one that it would be desirable for school and public libraries to channel their orders through retail bookstores and that they could effectively service theses accounts. The same study, however, noted that:

> it cannot be ignored that libraries purchasing Canadian-authored titles through bookstores would pay more for these titles and the publisher would receive less than would be the case if the transaction were direct. So this suggestion would only be tenable if it produced considerable benefits in the greater cultural scheme of things.

The distribution report concluded that additional public funds would be required if such a system were to be instituted. The report also recommended that a study of the Quebec system be carried out by the federal Department of Communications, which could be used by other provinces as a basis for weighing the costs and benefits involved in the accreditation system in effect there. It also recommended a full and detailed study of the buying practices of public libraries in Canada.

It was in this context that the Manitoba study was undertaken in 1986 with a budget of $50,000. The premise of the study, as stated in the June, 1986 Peat Marwick Report, "Program Options and Policy Implications for Supporting Manitoba Independent Booksellers" was that "there was an increasing risk to Manitoba book publishing if a key distribution channel for their books--notably independent trade booksellers -- eroded further, or collapsed." The report noted that "This concern was triggered by the 1984 closing of a Winnipeg bookstore which, at the time, accounted for nearly 30 percent of all retail sales of Manitoba book publishers".

The dependence of publishers in Western Canada on independent bookstores has been confirmed in other studies as well. In his 1986 study "Out of the West", Jim Douglas found through his survey of Alberta publishers that they depended for 38 percent of their sales on independent bookstores, by comparison with the 28 percent of sales which came from chain store outlets. That study noted that "The importance of independent booksellers is apparent and the figure of 38 percent is probably lower than it should be because of the number of scholarly and educational publishers in the mix (of companies surveyed)".

In this context the objectives of the Peat Marwick study were to develop an appropriate public policy or strategy with respect to bookselling in Manitoba, as a means of ensuring the viability of an essential distribution channel for Manitoba-published books, and as a means for encouraging increased access to Manitoba publications through the independent bookselling sector. As requested, the Peat Marwick study reported on the impact of the Quebec accreditation system, stating that the system "appears to have worked well" and specifically that:

> Quebec has significantly more bookstores than ten years ago. Estimates vary between a 50% and 70% increase in outlets, and these outlets are felt by the Quebec government to fully represent Quebec publishers' products. Stimulated by access to library purchasing, bookstores, have appeared in centres previously incapable of supporting a bookstores on sales to the public alone. Also, the number of stores in many centres has increased.
>
> Quebec bookstores tend to be larger physically, have substantially larger sales volume, and carry almost twice as many titles as their counterparts in the rest of Canada ... Under the accreditation system, Quebec bookstores also carry, on average, significantly more Canadian published titles in stock than bookstores in the rest of Canada.

The study noted that the effect of the system on prices charged to libraries could not be stated and observed that "Other than a first year supplement to acquisition budgets when the system was first introduced, public libraries have received no additional funding to offset the burden of higher acquisition costs -- whatever they may be". Negative views of the system reportedly came mainly from librarians.

In relation to Manitoba policy, the Peat Marwick study concluded that "An accreditation system appears to have some potential if it were introduced selectively". However, the study did not try to estimate the costs or the benefits associated with such a system, observing that "the determination of a workable accreditation system for Manitoba will require much negotiation between all potentially affected parties, and further examination beyond the scope of this study".

In its exploration of the potential implications of such a system for Manitoba publishers, the study suggested that in return for an increased level of sales to publicly-funded institutions, accredited stores be subject to reasonable minimum inventory levels for Manitoba-published titles. Among the advantages to Manitoba publishers would be:

- A better, more complete distribution of titles in bookstores throughout the province, increased visibility of titles, more sales and fewer returns.

- The achievement of library sales likely to be missed otherwise due to low visibility or to the difficulty institutions now experience in identifying the publishers and the Canadian source of a titles.

The additional study of an accreditation system for Manitoba was not carried out. Other recommendations from the Peat Marwick Report have also not been implemented.

The commissioning of this study was certainly justified in the light of the importance to Manitoba publishers of independent bookstores. Nevertheless, the study has not led to any action; and, based on the lack of any clear, specific proposal which could be considered for possible action and an assessment of related costs and benefits, this lack of action is not surprising. Certainly, the report appears to be much less quantitative than the original intent of the study suggested (based on internal program management files) and less focussed on the accreditation issue than was intended.

The major disappointment with the study was that it did not formulate the issue of accreditation in a way that permitted even a decision in principle to go further. The Advisory Committee to the Independent Booksellers Study expressed its dissatisfaction in a letter dated November 21, 1986, noting that they were "more than somewhat disappointed with the final report." The Advisory Committee emphasized the lack of factual economic information, but recommended that "an in-depth cost/benefit analysis be initiated" and that "an in-depth study be made to review and determine past and current acquisitions purchasing practises both inside and outside the province by Manitoba's libraries." On the latter issue the Advisory Committee noted its recognition of "the significant amount of tax dollars leaving the Province and Canada for book acquisitions, which would likely represent the same buying power if spent in Manitoba and Canada and would benefit our own national and provincial publishing community, as well as the independent bookselling sector."

Interviews conducted for this study indicate that there remains a high level of concern over access to retail outlets among Manitoba publishers. All publishers involved in trade publishing report that independent bookstores are far more receptive to their books than chain outlets. One publisher reported that most retailers wanted to deal only with larger suppliers. A second noted that chain stores do not like dealing with local books or smaller accounts, and a third that if little business was done with the chains it was not worth the trouble. Another publishers reported that recent experience showed that bookstores were more and more reluctant to stock anything but lead titles. The same publisher said that experience with independent retailers in Manitoba had been very good. Some publishers explicitly expressed concern about the weakness of the retail system and indicated their continued interest in efforts to expand the retail bookstore system. Generally speaking it appears certain that all Manitoba publishers who produce English-language trade titles would support the view that an expansion of the retail bookstore system, and especially of independent sores within Manitoba and outside, would be highly beneficial. For the French-language publishers, of course, it is even more difficult to provide potential customers with access to their books.

The importance of retail book stores, and of independent stores specifically, continues to be recognized by the federal government. The 1987 Department of Communications publication, Vital Links: Canadian Cultural Industries, contains the following statements:

> Retail chains and the shopping-mall environment add to the effect of risk reduction strategies. Powerful instruments in the marketing of books, videocassettes and records, chainstores, which emphasize high-volume purchasing and quick turn-over of inventory, favour the promotion of bestsellers at the expense of breadth and depth of selection. Inventories shrink. The "shelf-life" of products becomes shorter. Canadian products become marginalized, because they are comparatively under-promoted.

Noting that at least 40 percent of the retail bookstore market was now in the hands of chain stores, Vital Links observed that:

> The concentration of retailing (and hence inventory selection) in fewer hands, combined with the tendency to reduce the number and variety of titles for sale, can limit the ability of many smaller publishers to secure outlets for their products.
>
> In Quebec a partial solution to this problem has been devised. A measure introduced in 1971 and modified in 1979 (Bill 51) requires provincially funded institutions to purchase their books (excluding textbooks) from provincially accredited bookstores ... Using its jurisdictional authority over the retail market and public libraries, the Quebec government has acted effectively to encourage the demand for Quebec books, while simultaneously reinforcing their presence in the retail market.

Given the continuing concern about this issue among Manitoba publishers, the recognition of its importance by both the Manitoba and Canadian Governments and the commitment of funds from the ERDA program for a study, it seems particularly unfortunate that insufficient progress was made in formulating the issue to permit a decision either for or against the accreditation idea. As noted earlier, additional funds had been identified within the original ERDA plan for proceeding on this issue. We, therefore, recommend that there be further discussion between Canada and Manitoba within the context of the ERDA Agreement to see whether further research ought to be done by DOC, CHR, or through the ERDA program, which still has uncommitted funds.

It must be recognized, of course, that the issue of accreditation is one which is relevant to the whole Canadian publishing and bookselling industry. It might, therefore, be appropriate that this issue be raised at a national meeting of the deputy ministers or ministers responsible for cultural industries issues.

4.8 Impact of ERDA Programs

In chapter 3 of this report we looked at the expansion that occurred in publishing in the period 1983 to the present and examined the cultural and economic impact that expansion produced.

As we saw in examining the Library Purchase Program, the Employment Assistance Program and the Technology components of the ERDA programs, one direct result of these components was to leverage significant federal funds from other programs. Specifically, in the case of the first two components the leveraged funds came from the Book Publishing Development Program of the DOC, while the employment component leveraged additional money from C.E.I.C.

While it is difficult to guess at precisely the extent to which Manitoba publishers might have had access to the BPDP or to C.E.I.C. funds without the ERDA program it appears certain that access would have been quite limited. Of the more than $400,000 provided to Manitoba book publishers over the period 1983/84 to 1987/88 by the BPDP and C.E.I.C. it appears likely that between $250,000 and $300,000 of that total would not have been provided in the absence of ERDA support.

In assessing the extent to which the ERDA programs were instrumental in stimulating industry growth, consideration must be given both to the benefits which resulted directly from this assistance, and the benefits of the BPDP and C.E.I.C. funds leveraged. The assumption behind the assessment of incremental impact presented in Table 10 is that 75 percent of the growth which occurred in the book publishing industry in Manitoba between 1983/84 and 1987/88 would not have occurred without the ERDA programs. This assumption is based both on the interviews conducted with publishers and the data and analysis presented earlier in this report.

TABLE 10

ESTIMATED INCREMENTAL IMPACT OF ERDA PROGRAMS ON BOOK PUBLISHING IN MANITOBA
1983/84 TO 1987/88

	1983/84	1984/85	1985/86	1986/87	1987/88	TOTAL 1983/84 to 1987/88
TOTAL IMPACT						
A. Direct						
Output ($000's)	716	814	1,099	1,305	1,662	5,596
Paid Jobs	13.0	13.5	14.5	20.0	29.0	90.0
B. Direct & Indirect						
Output ($000's)	1,253	1,425	1,923	2,284	2,909	9,794
Paid Jobs	21.0	21.5	23.0	32.0	46.0	143.5
ESTIMATED IMPACT WITHOUT ERDA						
A. Direct	716	770	827	889	953	4,155
Output ($000's)	13.0	13.5	14.5	16.0	17.0	74
B. Direct and Indirect						
Output ($000's)	1,253	1,348	1,447	1,556	1,668	7,272
Paid Jobs	21.0	21.5	23.0	25.0	27.0	117.5
ESTIMATED INCREMENTAL IMPACT						
A. Direct	--	44	272	416	709	1,441
Output ($000's)	--	--	--	4	12	16
B. Direct and Indirect						
Output ($000's)	--	77	476	727	1,241	2,522
Paid Jobs	--	--	--	7	19	26

SOURCE: Total impact was compiled by Paul Audley & Associates Ltd. and is based on data from Manitoba Arts Council, publishers' financial statements and government agencies, and impact multipliers provided by Culture Sub-division, Statistics Canada. (Refer to notes on Table 6 for additional information.) Estimated impact without ERDA and estimated incremental impact were calculated based on ERDA funding, and discussions with Manitoba book publishers.

As a result of the ERDA program it is estimated that there were 19 person years of additional employment created by the book publishing industry in Manitoba in 1987/88, 12 of them direct and seven indirect. Industry output was also $1.2 million higher than it would have been without the program, with $.7 million of that incremental impact direct and $.5 million indirect. On a percentage basis it is estimated that employment in the industry was 70

percent higher than it would have been in the absence of the program, while output was 74 percent higher.

On a cumulative basis the ERDA program provided $603,765 to Manitoba book publishers over the period 1983/84 to 1987/88. During this period we estimate that an additional 26 person years of employment were created in the industry and that industry output was $2.5 million higher than it would have been in the absence of the program. These totals, of course, ignore the impact this assistance will have in 1988/89 and in future years as a result of an expanded level of activity.

4.9 Administration of ERDA Programs

Issues related to the performance of program administration staff have been addressed already in relation to specific program components. Generally speaking, the programs guidelines developed were reasonable and reflected the objectives of the Agreement, while application forms and procedures were not excessively burdensome and captured information that was necessary to decision-making. On the whole there has been good consultation with the industry, although particular care needs to be taken to understand the sometimes different needs and concerns of special categories of publishers, including the francophone and native publishers.

Follow-up and assessment of the results of specific grants ought ideally to have been done more consistently and thoroughly. However, it must be understood that the publishers receiving assistance are small firms which are required already to meet very extensive reporting and information requirements.

5.0 RELATIONSHIP BETWEEN ERDA AND OTHER GOVERNMENT PROGRAMS

5.1 Introduction

As part of the evaluation the guidelines for other federal and provincial programs of support to book publishing were examined and interviews were conducted with managers of those programs. In addition, in the interviews conducted with book publishers issues related to the role of the various funding sources were discussed. The principal programs of support are those provided at the provincial level by the Manitoba Arts Council, and at the federal level by the Canada Council and through the Department of Communications' Book Publishing Development Program (now the Book Industry Development Program).

Table 11 indicates the level of support provided through each of these agencies over the period 1983/84 to 1988/89. For 1988/89 these data are correct as of November, 1988, and some additional support not reflected in the table may be provided.

TABLE 11

SUPPORT TO MANITOBA BOOK PUBLISHERS THROUGH PRINCIPAL SUPPORT PROGRAMS
1983/84 TO 1988/89
($000's)

	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89(1)
ERDA	--	263.9	50.6	209.8	79.5	89.9
Manitoba Arts Council	62.4	111.3	133.3	80.3	159.7	n.a.
Canada Council	117.7	130.5	116.1	120.3	171.9	219.6
Book Publishing Development Program (DOC)	12.0	33.2	93.5	128.6	73.7	n.a.

NOTES: (1) Data for 1988/89 reflect financing commitments to November, 1988 only.

5.2 Complementarity of Programs

At the provincial level the Manitoba Arts Council provides support through Block Grants, Project Grants, an Editorial Development Program and Assistance for Opportunities in Professional Development. MAC programs are focussed primarily on providing financial assistance to support the production of books published for a general readership and normally distributed through bookstores. Eligible books are in the categories of fiction, poetry, drama, the arts, and non-fiction, including biography, autobiography, history, ethnography and contemporary social concerns.

The Canada Council, like MAC, provides assistance primarily to support the cost of publishing trade, or general interest titles, through Block Grants and Project Grants to individual book publishers. The Canada Council also provides support through a Promotion Fund, Promotion Tours, and Translation Grants.

Neither the block nor project grant programs of MAC or the Canada Council duplicate assistance provided through ERDA. Outside these programs the resources available through these agencies for promotion, marketing or professional development are quite limited. Substantial care has been taken by program management to ensure that ERDA programs do not duplicate such support, except where such complementary funding is necessary and intentional.

In the case of the Department of Communications program the guidelines have been changed very substantially since the ERDA programs were initiated. However, any duplication of program guidelines under either the original or revised guidelines was limited, and was recognized by program managers in addressing applications. In the case of the computer system acquisition which was supported by ERDA and BPIDP the involvement of both agencies was necessary and productive.

5.3 Manitoba Book Publishers Access to Federal Programs

One of the objectives of the ERDA program was to permit Manitoba publishers to achieve increased access to the major federal support programs. As Table 12 indicates, Manitoba publishers are receiving significantly greater funding in absolute terms from the Canada Council now than before ERDA programs began. Between 1983/84 and 1988/89 support has increased from $117,710 to $219,570, with the increase coming mainly between 1986/87 and 1988/89.

However, the increases received by Manitoba publishers largely reflect the increased resources allocated by the Council to book publishing. The Council was able to increase its support to book publishing because $4.8 million in annual funding was transferred to Council from the budget of the Book Publishing Development Program at the time that the guidelines for that program were revised. Manitoba book publishers received 3.0 percent of total Canada Council support to book publishers in 1988/89, by comparison with 3.2 percent in 1983/84.

In the case of the BPDP Manitoba publishers were receiving relatively little support in 1983/84, less than one-fifth of one percent of the total, or $12,024 of a total of $6.3 million (see Table 13). By 1986/87, Manitoba publishers were receiving substantially increased support through the BPDP, 1.5 percent of the total, or $128,588. As the new guidelines for the program began to be phased in Manitoba publishers share of the BPDP declined to 1.2 percent in 1987/88. In absolute terms, with the transfer of funds to the Canada Council , less money was available in 1987/88 and Manitoba publishers received $73,730 compared to $128,588 the previous year. With the new guidelines fully in effect in 1988/89 Manitoba publishers had, as of November 1988 not received any support through the BPIDP, although the level of funding available has been increased to $7.8 million.

TABLE 12

CANADA COUNCIL GRANTS TO BOOK PUBLISHERS BY PROVINCE
1983/84 to 1988/89

	1983/84	1984/85	1985/86	1986/87*	1987/88*	1988/89**
TOTAL ALL GRANTS						
Alberta	96,604	121,990	95,730	74,570	149,621	257,705
B. C.	346,147	357,518	339,612	277,666	442,657	641,660
Manitoba	117,710	130,453	116,126	120,320	171,940	219,570
New Brunswick	67,462	122,134	115,464	92,236	137,847	167,876
Newfoundland	68,689	90,222	94,401	99,558	144,800	133,450
Nova Scotia	41,163	55,718	80,567	147,200	149,297	156,650
Ontario	1,352,099	1,439,932	1,429,781	1,128,124	1,789,336	2,494,118
P.E. I.	--	10,027	--	--	--	--
Quebec	1,483,607	1,806,966	1,740,719	1,154,912	2,399,979	3,027,355
Saskatchewan	82,684	103,265	114,731	96,550	153,877	175,897
Total	3,656,165	4,238,225	4,127,131	3,582,136	5,539,354	7,274,261

SOURCE: Canada Council data compiled by Paul Audley & Associates Ltd.

NOTE: Canada Council grants to Associations and Groups are not included in the above summaries (for example, Writer-in Residence Programs; and Grants to National Associations of Writers & Publishers).

* Data for 1986/87 and 1987/88 were compiled from Quarterly Reports.

** 1988/89 data reflect grants reported in the Council's Spring and Summer Quarterly Reports.

Most Manitoba publishers have a relatively limited awareness of the new BPIDP programs and, to the extent that they are aware, report that they have difficulty interpreting the guidelines, particularly with respect to the nature of the projects which might qualify. The AMBP expressed concern that member publishers are not sure they can qualify under the new criteria, even if they meet the minimum sales requirement of $50,000 annually.

Only one publisher interviewed indicated an intention to apply to the BPIDP in the next year. By comparison, seven publishers had been receiving support from the predecessor BPDP in 1986/87.

TABLE 13

BPDP/BPIDP GRANTS TO BOOK PUBLISHERS BY PROVINCE
1983/84 to 1987/88

	1983/84	1984/85	1985/86	1986/87	1987/88
Newfoundland	$102,515	152,775	106,207	143,036	262,857
P.E. I.	14,089	16,810	13,939	29,291	10,735
Nova Scotia	96,028	108,392	105,794	150,968	105,509
New Brunswick	20,401	19,127	31,629	55,457	113,093
Quebec	3,159,863	3,610,481	3,601,749	4,125,129	3,063,329
Ontario	2,002,421	2,345,358	2,148,702	2,490,182	1,839,251
Manitoba	12,024	33,159	93,503	128,588	73,730
Saskatchewan	91,397*	135,770	146,128	176,375	117,242
Alberta	213,505	177,254	259,805	621,312	143,514
B. C.	609,088	550,874	570,811	779,662	570,740
TOTAL	6,327,320	7,150,000	7,078,267	8,700,000	6,300,000

SOURCE: Department of Communications

NOTE: * included Formac in 1982/83 only.

As Table 14 indicates, Manitoba publishers did gradually increase their share of federal book publishing support through BPDP and Canada Council between 1983/84 and 1987/88, from 1.3 percent to 2.1 percent. The increased percentage of support should, of course, be viewed in relation to the tripling of book sales achieved by Manitoba publishers through that period. However, in fiscal 1988/89, that share of support going to Manitoba publishers may decline again to about 1.5 percent, assuming that Manitoba publishers receive no support between November and the fiscal year-end through the BPIDP. In assessing the share of federal program support that is going to Manitoba publishers it must be kept in mind that their sales have been growing substantially more rapidly than those of the Canadian industry as a whole. One would, therefore, have expected an increase in the proportion of funding they received.

TABLE 14

MANITOBA PUBLISHERS' SHARE OF FEDERAL SUPPORT
THROUGH BPDP/BPIDP AND CANADA COUNCIL
1983/84 to 1987/88

	Support to Manitoba Publishers ($000's)	Total Program Support ($000's)	Manitoba Publishers Share of Total (%)
1983/84	129.7	9,983.5	1.3%
1984/85	163.6	11,388.2	1.4%
1985/86	209.6	11,205.4	1.9%
1987/87	248.9	12,282.1	2.0%
1987/88	245.7	11,839.4	2.1%

SOURCE: Department of Communications and Canada Council.

5.4 Co-ordinating Mechanisms

Although there has been some ad hoc consultation between and among the managers of the four major programs of support to Manitoba book publishers, the degree of co-ordination which has existed has been quite deficient. In part the inadequacy of program co-ordination reflected the fact that there was no steering committee which included federal and provincial officials and reported to the Management Committee established under the ERDA Agreement. The absence of a steering committee may in turn have reflected the fact that publishing support was part of Component 6 of the Agreement, which was fully funded by Manitoba.

One result of the absence of a proper co-ordinating mechanism is that changes in the BPDP which established the BPIDP appear to have been taken without an awareness on the part of the Management Committee of ERDA of the extent to which they might result in a loss of DOC support to Manitoba publishers. The point here is not to suggest that the changes made in the DOC program were not valid from a national perspective. It must also be recognized that the lost DOC support was partially offset by increased Canada Council support. However, the important point here is that the consequences of this change were not properly considered within the ERDA framework in advance of their implementation. However, there was a direct consultation between ERDA's program manager and the Ottawa-based DOC officials responsible for revising the BPDP guidelines, largely through the Federal/Provincial Steering Committee on Book Publishing. There were also discussions at the deputy minister level.

There is a relative lack of clarity about the respective roles of the funding agencies in areas in which more than one agency makes support available. For example, in the case of professional development or marketing assistance, more than one agency is providing support. While the nature of the support provided may differ from agency to agency, and in some cases relatively little funding is actually available, there has been no conscious and explicit effort to discuss and agree upon the relative roles of each agency. A steering committee with appropriate federal and provincial representatives involved would have been a useful vehicle for accomplishing that purpose.

6.0 POLICY ISSUES AND RECOMMENDATIONS

6.1 Summary of Industry and Program Needs

The experience with the ERDA programs indicates that the original premise of the ERDA Agreement, that there was significant potential for growth in book publishing in the province were valid. The analysis carried out for this report indicates as well that there is significant potential for further growth. The analysis carried out indicates as well that the ERDA programs have been an essential factor in the growth that has been achieved.

At this stage the important issue is whether there is a need to continue to provide any or all of the support programs which have operated under the ERDA Agreement and whether alternative or additional initiatives should be considered. In general terms, the answer is that assistance does need to continue if growth is to be maintained and, in discussing each of the ERDA program components we have already commented on the need for specific components.

6.1.1 Existing program initiatives

The Library Purchase Program has, of course, already been terminated, and consideration should not be given to re-establishing that program within the framework of a program of support to publishers. While it remains essential that public and school libraries should be able to purchase appropriate Manitoba publications that goal should be pursued within the framework of government support to schools and public libraries, rather than to publishers.

In the case of both the Employment Assistance Program and the Access to Technology Program, a continuation of these programs does not seem justified. However, it should be noted that some publishers did express an interest in having either a first or second opportunity to add to their staff through a repetition of the employment component. In the case of the technology component there are also publishers who did not participate at the time but have now reached a point at which such assistance would be helpful. However,

we do not believe that the technology component needs to be continued as a distinct initiative. Instead, we look below at an alternative approach to assisting the industry which would provide enough flexibility to permit a reasonable request for assistance with capital expenditures to be met.

In the case of both the Marketing Assistance Program and Professional Development, these components should continue. In the case of the marketing component, the existing guidelines seem adequate; but additional funds are required to make that support effective. In the case of professional development, the guidelines should be re-examined in the context of other support programs. Consideration should be given to whether both MAC and ERDA (or a successor program) need to continue to be involved in providing professional development assistance. It would also be desirable to continue to address issues related to independent bookstores, as proposed in section 4.7.

6.1.2 New initiatives

The industry's growth continues to be hampered by lack of access to operating lines of credit or equity capital. This issue is a concern among all Canadian-controlled book publishing companies and particularly small to medium-sized companies and has been recognized in most studies of the industry.

In recognition of this problem, other provincial governments have provided assistance through loans or loan guarantees and interest subsidies. The Ontario Government has operated such a program since the early 1970's. While Ontario's original guidelines resulted in significant problems, revised guidelines have been in effect for a decade, with very limited problems with default. Ontario's support is focussed on companies with sales of between $150,000 and $1,000,000 (or $100,000 in the case of publishers in Northern Ontario). Loan guarantees cannot exceed 40 percent of "eligible" sales, which are defined as sales of Canadian-authored books. Interest subsidies are paid at half the prime rate plus one percent, to a maximum of $15,000 per publisher.

Interviews with Manitoba publishers indicate that they also would benefit if there were a program which facilitated their access to capital from commercial lending institutions and assisted with interest charges. It would not be sensible, given the administrative costs involved to provide such assistance to very small firms, but the circumstances of the industry suggest that an eligibility level of $75,000 in sales of Canadian books would be reasonable. The ontario restriction of 40 percent of sales, or some comparable ceiling, would also be necessary, with inventories and receivables used as security. On that basis we would estimate that the loan guarantees involved, assuming maximum utilization would be between $300,000 and $350,000. Interest subsidy would be between $15,000 and $20,000 annually. The purpose of the program would be to facilitate cash flow management and permit access to operating capital based on existing assets of the publishing company. What is <u>not</u> proposed and would appear undesirable and excessively risky would be long term development loans.

Our examination of publishers financial statements and discussions with them of their fluctuating cash-flow requirements and limited access to loan capital suggests that the industry has reached a stage of development at which this kind of program would be valuable and would involve relatively limited risks. It would enhance the industry's ability to continue to expand, focussing an appropriate level of additional assistance on those companies with a greater potential for growth. Access to the loan guarantee portion of the program would have to be conditional on an assessment of the business plans and financial position of each company and could not be automatic. Our review of financial statements suggests that four or five publishers would probably meet both the threshold requirement suggested and the requirements of reasonable risk and business-like potential for growth.

Earlier in this report we noted that follow-up would be valuable to ensure effective utilization of the computer systems acquired for Manitoba publishers. Our interviews with publishers also identified a number of concerns in the industry with respect to warehousing and order fulfillment arrangements, marketing strategies and sales representation, accounting and financial management systems, and so on. It would be desirable in the future to build into the support provided a Project Assistance Program which would have the capacity to respond to reasonable proposals in a wide variety of areas. Such assistance should not cover more than 75 percent of the cost of projects and could be made available to individual publishers, groups of publishers, or the AMBP.

There are two other areas in which support could be quite significant for Manitoba publishers. First, it would be valuable if Manitoba publishers had the potential to work with Manitoba writers on more ambitious trade publishing projects. The Ontario Arts Council now provides writers grants based on the proposals of book publishers who participate in the Council's block grant program. The result is to buy the time necessary to have manuscripts developed which would not otherwise be developed. Any such initiative, however, should probably be taken by the Manitoba Arts Council, which has responsibility for writers' support programs.

The second additional area in which support would be valuable is that of educational publishing. The Department of Education has indicated that it wants and needs more Manitoba materials for use in the schools and that Manitoba is ill-served with local or regional materials for use in educating children and young people in the province.

Some Manitoba publishers are now involved in providing materials to the schools. Contract publishing arrangements exist, for example, between one publisher and Le Bureau de l'éducation française for the editing and printing of French-language texts and kits. Another publisher also has been involved to a significant degree in supplying books to the schools working with the Native Education Branch. Over one-third of its sales come from the educational market.

Peguis Publishing, which has been expanding rapidly, has also been moving increasingly into the educational market. In 1987, for example, Peguis won a

contract from Manitoba Education to publish a series of eight texts for Grade 12 Social Studies, under the series title "World Issues". Most of the titles published by Peguis over the past three years are for the educational market.

While Manitoba publishers have certainly expanded their educational sales substantially in recent years, they are not yet involved in producing core textbooks. Instead, they have been involved in supplying supplementary materials and materials for teachers.

Although Manitoba Education needs more Manitoba materials for use in the schools and publishers want to become more involved in supplying those materials, progress has been slow. There are a number of reasons for this, including the following:

- substantial costs are usually involved in the development of good learning materials;

- the risk of developing and publishing learning materials for a relatively small market such as Manitoba are excessive, unless there is some advance commitment from he department to approve them for use and/or to purchase a designated minimum number of copies;

- materials for classroom use usually require testing in the classroom and the period before investment in developing learning materials results in revenue to the publisher can be long.

Even in the large Ontario market, the Ministry of Education has for fifteen years run a Learning Materials Development Program to assist in publishing learning materials. Despite its title, that program provides both funding for the development of learning materials, and funding for their production. One result of having two components to the program is that the development phase of a project can be completed, and the quality of the resulting material assessed before any funding of production is considered. At the production phase particularly a very substantial percentage of the total budget is usually covered by the publisher.

In other provinces complementary approaches have been taken by departments of education. In some cases texts have been commissioned to meet important specific educational needs. In other cases departments have been prepared to make a commitment to buy a significant number of copies of a new text or supplementary material before the publisher proceeds with printing and incurs the financial commitment that involves. Alternatively, a commitment may be made before a title is produced to approved that title for use in the schools, and perhaps to list that title only for a particular course for a period of two or three years. All of these strategies reduce the publishers risk and, therefore, encourage the production of learning materials which are needed, but which would be too risky if undertaken on the basis of the normal operating practices of departments of education.

Through the Book Publishing Industry Development Program the federal Department of Communications is also making $3.5 million annually available to support educational publishing. The program has two parts. Part A, which has a budget of $3.0 million, provides funding based on a formula that takes account of the size of the firm, the region in which it is located and its performance in producing Canadian educational publications in relation to the performance of other firms (includes sales of and investment in Canadian learning materials). This component naturally favours established Canadian educational publishers. By comparison, Part B, with funding of $.5 million, supports pilot projects that have received provincial sponsorship. Part B funds only pre-publication costs, to a maximum of 50 percent and cannot be used to fund manufacturing costs.

Part B is most likely to have some benefit for Manitoba publishers, although the total amount of funding available is limited. However, for Manitoba publishers to qualify Manitoba Education, or the Government of Manitoba, will have to also guarantee a portion of the financing or guarantee a minimum level of sales. This requirement could be met, and, as a result, leverage significant federal funding for Manitoba publishers, either by setting up a relatively small provincial fund to assist educational publishing projects or making advance commitments to purchase copies. Unless this is done Manitoba publishers are unlikely to qualify.

If the ERDA programs are extended it would be possible to include a small provincially-funded component to fund educational projects, based on advice from Manitoba Education. Alternatively this could be done through Manitoba Education itself.

What is essential is to recognize the opportunity that exists both to better meet Manitoba's requirements for relevant educational materials which reflect Manitoba's culture, history and institutions, and to utilize the strengthened capacity which now exists in the province's book publishing industry to respond to those needs. Consultation is required to develop a specific approach but the best outcome would be an explicit strategy which included funding, pre-production approval of learning materials and advance purchasing commitments.

While it need not necessarily be part of an extended ERDA program, a provincial fund to stimulate educational publishing would initially require between $50,000 and $75,000 annually.

In summary, our analysis suggests that support should continue to be provided to Manitoba book publishers for at least the next five years. The experience to date justifies a continuation. The recommendations we have already made suggest a program which would include provision of loan guarantees to companies with sales of Canadian-authored books in excess of $75,000. The minimum funding levels we would suggest for the proposed programs over a further five year period are as follows (in constant 1988 dollars):

	Year 1	Year 2	Year 3	Year 4	Year 5
Marketing	75,000	75,000	75,000	75,000	75,000
Professional Dev.	15,000	15,000	15,000	15,000	15,000
Project Support	60,000	60,000	60,000	60,000	60,000
Interest Subsidy	15,000	17,000	19,000	22,000	25,000
TOTAL	165,000	167,000	169,000	172,000	175,000

The above amounts exclude any expenditures which might be made through MAC for writers' support linked to Manitoba publishers, or an educational component. The latter component should be undertaken only if it is seen as valuable in relation to both the educational goals of the province and of Manitoba Education, and the expansion of the publishing industry.

With the support proposed above it is reasonable to expect at least a further tripling in the sales achieved by Manitoba publishers over the next five years. This would mean that book sales would increase to substantially in excess of $3 million, which would be almost ten times as high as book sales were in 1983/84, before publishers began to receive assistance.

The total amount of assistance this would involve over the five year period would be $848,000. By comparison just under $700,000 was provided over the five year period: 1984/85 to 1988/89, in relation to a much smaller industry.

6.2 Future Administration and Financing of Program

While there are options for the future management and administration of the ERDA programs, the arrangements made would ideally reflect the essential framework of an agreement that involved both Canada and Manitoba and would reflect the important role of both levels of government in enhancing the development of the industry. The establishing of a loan guarantee program is a significant component of the measures suggested in this study and such a program could more easily be administered within the framework of the CIDO agency.

The administration of the program has to date been handled efficiently and it is essential that this not change. There should continue to be just a single policy officer responsible for both book and periodical publishing.

One of the reasons that co-operation and co-ordination of federal and provincial programs was not adequate under the ERDA Agreement in the past was that in this component all of the funds were provincial. In an extended or renewed ERDA, or a replacement structure it would be preferable that there be both federal and provincial funding involved.

The programs should be set up so that it is not excessively difficult to move funds from one category of funding to another.

6.3 Steering Committee

In the future it would be extremely valuable to have an effective Steering Committee to ensure effective co-ordination and complementarity of the programs and policies of support agencies and departments, and informed advice to the Management Committee or any replacement co-ordinating structure. Such a committee should include representatives of MAC, Manitoba Education, the Canada Council and the BPIDP, as well as the two departments involved.

6.4 Industry Consultations

Any proposed revision of program guidelines should be discussed with the AMBP, as has been the case in the past. The consultative relationship has been in general terms a good one in the past. Care should be taken to ensure that the special interests and needs of all of the diverse interests of the publishers are understood and recognized.

PART III

PERIODICAL PUBLISHING

PART III

PERIODICAL PUBLISHING

7.0 PROFILE OF PERIODICAL PUBLISHING IN MANITOBA

7.1 Background

At the time that the Agreement was signed the Canadian periodical publishing industry had never been properly surveyed. A Statistics Canada survey of Canadian magazines was not begun until the following year, with data becoming available only after the Manitoba Government's 1984 study was completed.

The approach taken in the 1984 study by Karl Siegler was very different in the case of periodical publishing than in the case of book publishing. In book publishing the Siegler study focussed its attention on the whole of the industry and proposed programs of support relevant to all firms. In the case of the magazine industry, however, the scope of the analysis done was largely limited to what were referred to as "cultural periodicals". Specifically such periodicals were defined to include only publications in the categories of literature, the arts, and social or literary criticism.

Of the 120 Manitoba periodicals then registered with Canada Post for second class mail status, the study considered eleven for inclusion in the study and, finally, surveyed eight extensively. Of these eight magazines, four published original literary work, two, arts criticism and two, social criticism. The study excluded scholarly publications, but proposed that they should be the subject of further study. The study also recognized that the limited data and analysis available at that time placed restrictions on the scope of the study; and that further analysis should be done later.

With respect to the content of the publications covered this involved the exclusion of a good deal of subject matter which would qualify for assistance through the book publishing programs proposed. For example, books related to the environment, nature, education, business, history, biography, geography, and a wide range of other subject matter would qualify but, if published in periodical form, would not be eligible. A similar approach to book publishing would have disqualified many of the publishers.

There are, however, a number of sound reasons for not being all-inclusive in a program of public support to periodicals. First, in periodical publishing, unlike book publishing, the publication is, to widely varying degrees, a vehicle for conveying advertising messages, as well as the subject matter of the magazine. The inclusion of varying levels of advertising is linked to a second difference; which is that in some cases the advertiser is financing the entire cost of the publication, which is distributed free to potential readers without them ever making a decision that they wish to receive it. These publications are referred to as controlled circulation periodicals.

Periodicals are also different from books in that a much higher percentage of periodical publications are produced and distributed primarily or exclusively to a specific, targeted audience, rather than being produced to be marketed to the general public. This third difference results in the production of what are referred to generally as trade publications, which include magazines produced for truckers, grocers, dairy farmers, teachers, doctors, and so on. It also results in production of a substantial volume of publications which are distributed mainly, or only, to members of a particular group -- a church faith group, an industry association, etc.

A fourth significant factor behind the practice of greater targeting of periodical support than of book publishing support, is simply the nature of public policy toward this industry in the past. There are two aspects of public policy that are relevant. First, in periodical publishing, but not so far in book publishing, major indirect support measures exist which have substantially supported the growth of Canadian periodical publications. These include the provisions of section 19 of the federal Income Tax Act, which have the function of making it more attractive to advertisers to use Canadian, rather than foreign magazines to convey their advertising messages within Canada, as well as the concessionary postal rates offered to eligible Canadian magazines. No comparable tax measure exists which benefits book publishers and the postal rate structure for Canadian book publishers does not discriminate in their favour by comparison with competing foreign publishers.

To the extent that direct government support is provided to periodicals--and the levels of such support are much lower than for book publishing -- that support has in fact tended to be limited to some of the categories of magazines identified in the Siegler study, plus scholarly publications, which receive support through the Social Science and Humanities Research Council. The Canada Council and provincial arts councils, have tended to limit their support in the case of periodicals to literary and arts magazines. The essential point here is that the arts councils have taken a much more limited approach in defining those periodicals eligible for their support than in the case of book publishing. The Siegler study, in fact, expanded that scope to some degree, adding social criticism and commentary.

There have, however, been some initiatives taken by government which used a broader framework. The Ontario Government, for example, ran a magazine circulation development program which provided assistance to general interest, paid circulation magazines. Ontario's "Halfback" program, which offered discounts to the public and to schools and libraries on subscriptions to Canadian magazines also used this broader definition. As is evident below, the ERDA Library Purchase Program for magazines also used a wider definition than the program as a whole.

This report presents substantial profile data on the magazine industry in Manitoba, drawing primarily on special data prepared by Statistics Canada for this project and information from the Manitoba Arts Council and publishers themselves. The profile presented consists of two parts. The first part (section 7.2) examines the magazine industry as a whole, identifying the main components of the industry, and provides an assessment of the impact of the

industry on the economy of Manitoba. The second part of the profile (section 7.3) examines the main periodicals that have qualified for support through the ERDA programs. This portion of the profile examines changes to these "cultural periodicals" over the past five years.

7.2 Trends in Periodical Publishing in Manitoba

7.2.1 Manitoba in the context of the Canadian industry

As Table 15 indicates, Manitoba has a quite substantial share of the Canadian magazine industry. Of the 1,325 magazines which reported to Statistics Canada in 1986/87 (the most recent year for which data are available), 63, or 4.8 percent, are published in Manitoba.

The average circulation per issue of magazines located in Manitoba is 13,600, by comparison with the average nationally of 26,600. As a result, Manitoba-based publications accounted for 2.4 percent of the circulation of all Canadian magazines. These figures can all, of course, be put in the context of Manitoba's share of Canada's population, which is 4.2 percent.

Magazines in Manitoba earn most of their revenue from advertising. Of total revenues of $14.9 million in 1986/87, 65 percent, or $9.8 million in 1986/87, came from advertising. The second most important source of revenue came from magazine subscribers, who paid $3.2 million in 1986/87 for Manitoba magazines. Newsstand, or single copy sales were, however, very limited, generating just $188,000 in 1986/87. In relation to the national industry, Manitoba publishers reported shares of advertising and subscriber revenue (2.4 and 2.5 percent respectively) that approximately reflected their share of national circulation (2.4 percent). However, their share of the national industry's newsstand sales was surprisingly limited, 0.3 percent, which reflects a very limited presence in the newsstand market.

The industry in Manitoba accounted for 210 person years of employment in 1986/87. This represented 4.4 percent of total employment in the industry nationally. As is discussed further in this profile, the Manitoba periodical publishing industry produces a broad range of publications. The data produced by Statistics Canada has been disaggregated into three broad categories, namely:

i) paid periodicals for the general public;
ii) controlled circulation periodicals for the general public; and
iii) specialized publications: trade, professional, scholarly and other types of periodicals.

Examining the industry within the context of these three broad categories permits more meaningful observations concerning the circulation, revenue, expenditure and profitability patterns of the industry. Of the 63 publications, 54 are in English, two are in French, five in both French and English and five in other languages.

TABLE 15

PROFILE OF THE CANADIAN AND MANITOBAN PERIODICAL PUBLISHING INDUSTRIES, SELECTED DATA, 1986/87

	Manitoba	Canada	Manitoba as a Percent of Canada
Number of Publications			
- English language	54	836	6.5%
- French language	2	283	0.7%
- English & French	5	165	1.2%
- Other Languages	5	41	12.2%
- TOTAL	63	1,325	4.8%
Single Issue Circulation (000's of copies)			
- Total	854	35,147	2.4%
- Average per publication	13.6	26.6	n/a
Revenue of Periodicals ($000's)			
- Advertising	9,770	415,279	2.4%
- Single Copy	188	58,040	0.3%
- Subscription	3,238	130,800	2.5%
- Other	1,750	48,703	3.6%
- Total	14,947	652,139	2.3%
Employment			
- Full-time	176	3,954	4.5%
- Part-time	69	1,630	4.2%
- Person years	210.5	4,769	4.4%

SOURCE: Statistics Canada, Culture Sub-division, Culture Statistics: Periodical Publishing, 1986/87 (cat. 87-203), October 1988, and special data request.

7.2.2 Circulation trends by type of publication

Circulation Levels

In order to better understand the Manitoba periodical industry data have been broken down for three categories of publications (Table 16). In the case of single issue circulation, that is the average aggregate number of copies circulated per issue, paid circulation magazines produced for the general public had combined circulation of 410,000 in 1986/87, up from 312,000 two years earlier. For controlled-circulation general public publications, single issue circulation amounted to 107,000, down from 243,000 two years earlier. In the case of magazines produced for more specialized groups, including trade, professional and scholarly magazines, combined circulation per issue was 332,000 copies, down from 591,000 copies in 1984/85.

For the industry as a whole, the per issue circulation of 849,000 copies in 1986/87 represented a decline of 26 percent from a level of 1,146,000 in 1984/85. As indicated above this reflected increased circulation for paid circulation general interest magazines, but declining circulation for both controlled circulation general interest, and specialized magazines (trade, professional and scholarly).

Since magazines are published with varying frequency (quarterly, bimonthly, monthly, biweekly or weekly) circulation data are often looked at on an annual basis. On this basis annual circulation of paid general interest magazines published in Manitoba increased by 22 percent between 1984/85 and 1986/87, rising to 4.7 million copies (Table 17). Circulation of controlled circulation general interest magazines declined over the same period by 53 percent, while the circulation of special interest publications dropped by 47 percent.

This information indicates that although the Manitoba periodical publishing industry experienced an overall decline in its total aggregate annual circulation from 1984/85 to 1986/87, the paid circulation general public segment of the industry experienced positive growth.

TABLE 16

SINGLE ISSUE CIRCULATION OF MANITOBA PERIODICALS,
BY TYPE OF PUBLICATION, 1984/85 TO 1986/87
(000's of copies)

	1984/85	1985/86	1986/87
Paid General Public Periodicals (1)			
- Single Copy	8	3	6
- Subscription	285	219	392
- Controlled & Other	19	4	11
- Total Single Issue Circulation	312	326	410
Controlled General Public Periodicals			
- Single Copy	--	--	--
- Subscription	5	3	8
- Controlled & Other	238	7	99
- Total Single Issue Circulation	243	80	107
Trade, Professional, Scholarly and Other Periodicals			
- Single Copy	--	--	--
- Subscription	144	226	230
- Controlled & Other	447	177	102
- Total Single Issue Circulation	591	405	332
All Periodicals			
- Single Copy	8	5	6
- Subscription	434	548	630
- Controlled & Other	704	258	212
- Total Single Issue Circulation	1,146	811	849

SOURCE: Statistics Canada, Culture Sub-division, Special Data Request.

NOTE: (1) The cultural periodicals which qualified for ERDA assistance are included among the paid circulation, general public category of magazines.

Subscription and Newsstand Circulation

Table 17 also shows the extremely limited extent to which Manitoba periodicals are distributed on a single copy basis. In 1986/87, less than 2 percent of the annual circulation of paid general public periodicals was attributed to single copy sales. Almost all of the circulation of these publications was subscription circulation (97%). These data indicate that Manitoba periodicals have an extremely limited presence at the newsstands. This situation, however, is by no means unique to the province. Canadian paid circulation periodicals typically rely heavily on subscription circulation in sharp contrast to their U.S. counterparts which are primarily distributed through newsstands in Canada. Among the factors which have contributed to the reliance of Canadian publications on subscription circulation are the following:

i) the existence of concessionary second class postal rates for periodicals which provide Canadian publishers with a relatively low cost means of distribution;

ii) the fact that newsstand distribution is not a very cost-effective means of distribution for most Canadian publishers, as they must absorb the costs of all unsold copies distributed, and these typically account for more than half of all copies distributed; and,

iii) the general orientation of the newsstand distribution system towards high-volume publications including most of the U.S. publications sold in Canada; and the limited number of dealers carrying specialized periodicals.

The reality in Canada is that for most Canadian-published magazines, newsstand distribution represents but a necessary promotional expense that publishers will incur as a means of increasing or maintaining their subscription circulation. The principle is that today's purchasers of publications sold at newsstands are tomorrow's subscribers to these publications. Furthermore, a presence on newsstands can be important to attracting the interest of advertisers who tend to be more interested in publications that have high visibility.

TABLE 17

ANNUAL CIRCULATION OF MANITOBA PERIODICALS,
BY TYPE OF CIRCULATION AND TYPE OF PUBLICATION,
1984/85 TO 1986/87
($000's)

	1984/85	1985/86	1986/87
Paid General Public Periodicals			
- Single Copy	54	26	72
- Subscription	3,623	3,456	4,548
- Controlled & Other	168	64	79
- Total Annual Circulation	3,845	3,546	4,699
Controlled General Public Periodicals			
- Single Copy	--	--	--
- Subscription	46	32	69
- Controlled & Other	1,897	618	840
- Total Annual Circulation	1,944	713	909
Trade, Professional, Scholarly and Other Periodicals			
- Single Copy	6	14	1
- Subscription	3,358	1,065	2,209
- Controlled & Other	2,200	1,040	650
- Total Annual Circulation	5,532	2,119	2,931
All Periodicals			
- Single Copy	60	40	73
- Subscription	7,027	4,553	6,826
- Controlled & Other	4,265	1,722	1,569
- Total Annual Circulation	11,321	6,378	8,539

SOURCE: Statistics Canada, Culture Sub-division, Special Data Request.

Geographic Circulation of Manitoba Periodicals

Table 18 shows the annual circulation of Manitoba periodicals by geographic destination. The geographic pattern of circulation varies by type of publication. For paid general public periodicals, a minority of their aggregate circulation in 1986/87 was accounted for in Manitoba (19%) with the bulk of their circulation occurring in other Canadian provinces (78 percent of the total). Foreign circulation made up the remainder (3%). This information indicates clearly that at the aggregate level, paid circulation general public periodicals published in Manitoba have considerable readership outside Manitoba.

TABLE 18

ANNUAL CIRCULATION OF MANITOBA PERIODICALS,
BY GEOGRAPHIC DESTINATION AND TYPE OF PUBLICATION,
1984/85 TO 1986/87
(000's of copies)

	1984/85		1985/86		1986/87	
Paid General Public Periodicals						
- Manitoba	554	(14%)	722	(20%)	899	(19%)
- Rest of Canada	3,099	(81%)	2,675	(75%)	3,644	(78%)
- Foreign	192	(5%)	149	(4%)	156	(3%)
Total Annual Circulation	3,845	(100%)	3,546	(100%)	4,699	(100%)
Controlled General Public Periodicals						
- Manitoba	1,209	(62%)	459	(64%)	674	(74%)
- Rest of Canada	700	(36%)	248	(35%)	227	(25%)
- Foreign	35	(2%)	6	(1%)	8	(1%)
Total Annual Circulation	1,944	(100%)	713	(100%)	909	(100%)
Trade, Professional, Scholarly & Other Periodicals						
- Manitoba	2,436	(44%)	317	(15%)	463	(16%)
- Rest of Canada	2,786	(50%)	1,774	(84%)	2,425	(83%)
- Foreign	310	(6%)	28	(1%)	43	(1%)
Total Annual Circulation	5,532	(100%)	2,119	(100%)	2,931	(100%)
All Periodicals						
- Manitoba	4,199	(37%)	1,498	(23%)	2,036	(24%)
- Rest of Canada	6,585	(58%)	4,697	(74%)	6,296	(74%)
- Foreign	537	(5%)	183	(3%)	207	(2%)
Total Annual Circulation	11,321	(100%)	6,378	(100%)	8,539	(100%)

SOURCE: Statistics Canada, Culture Sub-division, Special Data Request.

The situation is very different for controlled circulation magazines produced for the general public; three quarters of the annual circulation of these publications in 1986/87 was in Manitoba (74%), with almost all of the remainder in other provinces. In Canada, controlled circulation consumer magazines tend to be either city magazines or publications directed primarily at a particular region. These publications often exist to serve the needs of local advertisers.

Manitoba's special interest magazines, however, closely resembled the paid general public periodicals, as the vast majority of their circulation was outside Manitoba - most of it in other parts of Canada (83%).

For the industry as a whole about a quarter of its annual circulation (24%) is in Manitoba and three quarters in the rest of Canada (74%), with just 2 percent in foreign markets. Perhaps the most obvious conclusion which can be drawn from the information presented above is that Manitoba periodical publishers produce publications that have an appeal which extends beyond the borders of the province. Moreover, the data demonstrate that Manitoba is a viable location for the publishing of magazines with a national orientation.

7.2.3 Revenue patterns

Table 19 shows the revenues of Manitoba periodicals by type of publication for 1984/85 to 1986/87. From this information it is possible to gauge the extent to which different types of Manitoba periodicals serve the two distinctive markets for periodicals -- the readers and the advertisers. As one would expect, controlled circulation magazines for the general public earn the vast majority of their revenue from advertisers -- 85 percent in 1986/87, with just 6 percent coming from the sale of copies of magazines. By contrast, publications categorized as paid circulation publications for the general public had revenues from single copy and subscription sales representing about a third of total revenue (32%), with advertising revenue representing just over half (51%).

Publications produced for more specialized audiences include both paid and controlled circulation magazines. Scholarly periodicals, for example, generally have paid circulation while trade publications tend to be free to qualified readers (i.e. those which make-up the target audience of the publication). In 1986/87 trade, professional and scholarly publications generated advertising revenue that represented just over three quarters of total revenues (76%), with sales of magazines accounting for 19 percent.

TABLE 19

REVENUE OF MANITOBA PERIODICALS BY TYPE OF PUBLICATION
1984/85 TO 1986/87
($000'S)

	1984/85	1985/86	1986/87
Paid General Public Periodicals			
- Advertising	3,941	4,099	3,563
- Single Copy Sales	19	40	123
- Subscription	1,357	2,160	2,102
- Back Issue	n/a	72	22
- Sub-total: Revenue From Periodicals	5,318	6,307	5,810
- Transfers, Gov't Grants, Donations & Other	986	887	1,142
Total Revenue	6,304	7,083	6,952
(number of titles)	(17)	(19)	(25)
Controlled General Public Periodicals			
- Advertising	1,642	1,200	1,662
- Single Copy Sales	11	50	45
- Subscription	89	31	49
- Back Issue	n/a	21	24
- Sub-total: Revenue From Periodicals	1,742	1,302	1,781
- Transfers, Gov't Grants, Donations & Other	196	29	182
Total Revenue	1,938	1,331	1,963
(number of titles)	(18)	(12)	(16)
Trade, Professional, Scholarly & Other Periodicals			
- Advertising	6,829	4,339	4,545
- Single Copy Sales	7	27	20
- Subscription	1,017	919	1,087
- Back Issue	n/a	19	21
- Sub-total: Revenue From Periodicals	7,853	5,304	5,674
- Transfers, Gov't Grants, Donations & Other	73	220	332
Total Revenue	7,926	5,524	6,004
(number of titles)	(22)	(20)	(20)

SOURCE: Statistics Canada, Culture Sub-division, special data request.

Although the data in Table 19 suggests that revenue from sources other than advertising and sales of magazines was substantial, an examination of the composition of this other revenue (transfers, government grants, donations and other) indicates that Manitoba periodicals receive very little in government grants. In 1986/87 the industry reported receiving a total of $326,782 in direct government grants, which represented two percent of total revenue. The vast majority of this direct support ($307,402) went to paid general public periodicals but even for these publications this funding represented a small proportion of their revenue, four percent of the total. Because Statistics Canada does not require periodical publishers to provide detail on government grant revenue it is not possible to indicate the sources of this support. Information presented later in this report (see section 7.3.3) shows that much of this grant revenue was likely received by Manitoba's cultural periodicals, most of which are covered by the Statistics Canada data.

7.2.4 Expenditure patterns

Table 20 provides an overview for 1986/87 of the aggregate cost structure of Manitoba periodicals by type of publication. For the industry as a whole, its largest expenditure was for salaries, employee benefits and professional fees (34%) followed by production and printing (31%). Other costs include marketing, promotion & fulfillment (12%), administration & general (8%), editorial & design (6%) and distribution (5%). The data in the table suggest that the expenditure patterns of Manitoba periodicals are reasonably consistent for the three categories of publications.

Although expenditures by Manitoba periodicals on editorial and design represent a small proportion of total expenditures, these publications represent an important market for freelance writers, photographers and illustrators. The practice in the industry is to rely on freelancers for much of the editorial content of magazines most of which is commissioned for specific editions. Table 21 shows that Manitoba periodicals rely almost extensively on Canadians for editorial material, as Canadian sources accounted for 98 percent of the expenditures of Manitoba periodicals on text, photography and illustrations in 1986/87. Based on interviews with publishers of Manitoba periodicals it is believed that most of these expenditures would have flowed to Manitobans.

TABLE 20

EXPENDITURES OF MANITOBA PERIODICALS
BY TYPE OF PUBLICATION, 1986/87

	Paid General Public		Controlled General Public		Trade, Scholarly Professional & Other		All Periodicals	
	$000's	As a % of total	$000's	As a % of total	$000's	As a % of total	$000's	As a % of total
Salaries, Benefits & Professional Fees	2,368	(34%)	762	(36%)	2,031	(34%)	5,161	(34%)
Non-salaried Costs								
Editorial & Design	172	(2%)	100	(5%)	665	(11%)	937	(6%)
Production & Printing	2,318	(33%)	584	(28%)	1,721	(29%)	4,623	(31%)
Advertising Sales Costs	218	(3%)	27	(1%)	312	(5%)	557	(4%)
Distribution Costs								
- Postage	331	(5%)	84	(4%)	232	(4%)	647	(4%)
- Private Delivery and Other	18	--	4	--	7	--	29	--
- Sub-total	349	(5%)	88	(4%)	239	(4%)	676	(5%)
Administration & General	410	(6%)	329	(16%)	510	(9%)	1,249	(8%)
Marketing, Promotion Fulfillment & Other	1,104	(16%)	227	(11%)	469	(8%)	1,800	(12%)
Total Expenditures	6,939	(100%)	2,117	(100%)	5,947	(100%)	15,003	(100%)

SOURCE: Statistics Canada, Culture Sub-division, special data request.

TABLE 21

EXPENDITURES FOR TEXT, PHOTOGRAPHY AND ILLUSTRATIONS BY MANITOBA PERIODICAL PUBLISHERS, 1985/86 AND 1986/87

	1985/86	1986/87
For Canadian Authored Works	$232,000	$236,000
For Foreign-Authored Works	$15,000	$6,000
Total Expenditures	$247,000	$242,000
Canadian as a Percentage of the Total	94%	98%

SOURCE: Statistics Canada, Culture Sub-division, special data request.

7.2.5 Profitability patterns

Using pre-tax operating profit margins as an indicator of profitability, Table 22 shows that the Manitoba periodical publishing industry failed to break-even in 1986/87 with an aggregate profit margin of -1 percent. In earlier years the industry operated in the black with operating margins of 14 percent and four percent in 1984/85 and 1985/86 respectively. It should be kept in mind that these statistics represent totals for the industry and are not averages per publication.

The paid general public periodicals experienced the most dramatic decline in profitability over the 1984/85 to 1986/87 period. The aggregate decline in pre-tax profit margins of these periodicals was from 22 percent to zero percent over the three year period. In comparison, controlled general public periodicals experienced losses in all three years and the more specialized publications saw their aggregate operating margins decline from 11 percent to one percent. As Table 22 indicates, from 1984/85 to 1986/87 the industry saw its revenues decline concurrent with increases in its total expenditures.

TABLE 22

PROFITABILITY OF MANITOBA PERIODICALS BY TYPE OF PUBLICATION
1984/85 TO 1986/87
($000'S)

	1984/85	1985/86	1986/87
Paid General Public Periodicals			
- Revenue	6,304	7,083	6,952
- Expenditures	4,937	6,474	6,939
- Pre-tax Profit	1,367	609	13
- Operating Profit Margin	22%	9%	--
Controlled General Public Periodicals			
- Revenue	1,938	1,331	1,963
- Expenditures	2,024	1,466	2,117
- Pre-tax Profit	(86)	(135)	(154)
- Operating Profit Margin	(4%)	(10%)	(8%)
Trade, Professional, Scholarly & Other Periodicals			
- Revenue	7,926	5,524	6,004
- Expenditures	7,019	5,388	5,947
- Pre-tax Profit	907	136	57
- Operating Profit Margin	11%	2%	1%
All Periodicals			
- Revenue	16,168	13,938	14,919
- Expenditures	13,980	13,328	15,003
- Pre-tax Profit	2,188	610	(84)
- Operating Profit Margin	14%	4%	(1%)

SOURCE: Statistics Canada, Culture Sub-division, special data request.

7.2.6 Economic impact of periodical publishing in Manitoba

As part of this profile of the Manitoba periodical publishing industry it is also useful to examine the economic impact of the industry on the economy of Manitoba. Of particular concern is assessing the contribution of the industry in terms of both its direct and indirect economic impacts.

Methodology

Table 23 presents estimates of the direct and indirect economic impact of the Manitoba periodical publishing industry. The direct impact data pertain to impacts occurring at the publisher level only. The indirect impact data relate to the economic activity associated with the purchase of goods and services by periodical publishers, including printing, paper and typesetting services.

The economic impact estimates in Table 23 were made using essentially the same methodology adopted to determine the economic impact of Manitoba book publishers, as is described earlier in Section 3.2.6 of this report. This methodology involves determining the direct impact of the industry under study using actual data wherever possible, and estimating indirect impact based on impact multipliers supplied by the Culture Sub-division of Statistics Canada. The impact multipliers from Statistics Canada were produced by the Agency's input-output econometric model and are 1.44 for output, 1.62 for wages and benefits and 1.59 for paid jobs.

While it is believed that the above impact multipliers are appropriate for the situation which exists in Manitoba, it should be noted that these were calculated by Statistics Canada using data that encompasses both the publishing and printing of periodicals. When these multipliers were last calculated Statistics Canada was not able to separate the activity of publishing periodicals from printing of periodicals because one of its publishing surveys encompassed both activities. Given the more capital intensive orientation of printing relative to publishing, the impact multipliers would appear to be somewhat on the low side because Manitoba periodical publishers typically use outside printers. Consequently, the data on the estimated indirect impact of periodical publishing should be viewed as being conservative. Off-setting this limitation, however, is the fact that some of the estimated indirect impacts would occur outside of Manitoba, although our interviews determined that virtually all of the Manitoba-published publications are printed in the province. While these limitations exist, it is our opinion that the use of the above described impact multipliers leads to reasonably reliable estimates of the indirect impact of periodical publishing on the economy of Manitoba.

The direct impact data are based on the results of the special data provided by Statistics Canada for this project. In some years the data have been adjusted upwards where it was determined that individual publishers were not covered by the Statistics Canada survey. Any such modifications were based on data from either publishers' financial statements or from records provided by the Manitoba Arts Council. In addition, the data on direct wages and benefit expenditures, and paid employment are estimated in some years because such information was not available from Statistics Canada due to limitations in the survey itself or the database. The estimates of wage and benefit expenditures were based on actual data for two years in relation to total operating expenditures of the periodicals. The direct impact data for 1987/88 are estimated entirely as the most recent year of data from Statistics Canada covers 1986/87. The 1987/88 data were estimated based on financial

data from some Manitoba periodicals and data on national trends, as reported by the Maclean Hunter Research Bureau which estimates the advertising revenues of magazines on an ongoing basis.

TABLE 23

ESTIMATED DIRECT AND INDIRECT IMPACT OF MANITOBA PERIODICAL PUBLISHING, 1984/85 TO 1987/88

	1984/85	1985/86	1986/87	1987/88	TOTAL 1984/85 TO 1987/88
Direct Impact (1)					
Output ($000's)	16,614	14,018	14,947	15,700	61,279
Wages & Benefits ($000's)	3,900	3,735	5,171	4,700	17,506
Paid jobs (#)	170	160	210	180	720
Indirect Impact					
Output ($000's)	7,310	6,168	6,577	6,900	26,955
Wages & Benefits ($000's)	2,400	2,315	3,209	2,900	10,824
Paid Jobs (#)	100	90	124	110	424
Direct & Indirect Impact					
Output ($000's)	23,924	20,186	21,524	22,600	88,234
Wages & Benefits ($000's)	6,300	6,050	8,380	7,600	28,330
Paid Jobs (#)	270	250	334	290	1,144

SOURCE: Direct Impact: data from Culture Sub-division, Statistics Canada, (Special data request), Manitoba Arts Council and financial statements of publishers and compiled and estimated by Paul Audley & Associates Ltd. Indirect Impact: data are based on impact multipliers provided by Culture Sub-division, Statistics Canada (output 1.44, wages & benefits 1.62 and paid jobs 1.59).

NOTES: (1) The data for 1987/88 were estimated as the most recent data from Statistics Canada cover 1986/87. The direct impact data on wages & benefits and paid jobs were estimated based on actual data.

Direct Impact

For 1987/88 it is estimated that the direct impact of periodical publishing in Manitoba was substantial. It is estimated that the industry had a total output of $15.7 million in that year, it paid out $4.7 million in wages and benefits and provided 180 Manitobans with paid jobs. These estimates suggest that the province's periodical publishing industry is considerable larger than its book publishing industry, which is estimated to be one-ninth the size. These data cover virtually all the periodicals published in the province from arts publications through to farm publications. Over the four year period of 1984/85 to 1987/88 it is estimated that the direct impact of the industry amounted to $61.3 million in output, $17.5 million in wages and benefits and 720 paid person-years of employment.

Table 24 provides additional detail on direct employment in Manitoba-based periodicals by type of publication. In 1986/87, the industry provided Manitobans with 176 full-time jobs and 69 part-time jobs, or the equivalent of 210.5 paid jobs. Paid general public periodicals provided 75 person years of employment.

TABLE 24

MANITOBA PERIODICALS: NUMBER OF EMPLOYEES
1986/87

	Paid Employment		Person	Volun
	Full-time	Part-time	Years	-teers
Paid General Public	54	42	75	143
Controlled General Public	35	7	38.5	49
Trade, Professional, Scholarly & Other	87	20	97	10
All Periodicals	176	69	210.5	202

SOURCE: Statistics Canada, Culture Sub-division, special data request.

Direct and Indirect Impact

When the estimated direct and indirect impact of Manitoba periodical publishing is examined it is apparent that the industry makes an even greater contribution to the economy of Manitoba. It is estimated that the direct and indirect impact of the industry totalled $22.6 million of output or GNP in 1987/88, total wage and benefit expenditures amounted to $7.6 million and paid employment was 290 jobs, of which 180 were direct and 110 were indirect.

The data in Table 23 can also be used as a tool for estimating the probable impact of changes in the output of periodical publishers. In 1987/88 dollars, an incremental $1 million of revenue generated by the periodical publishing industry would result in the creation of an additional 11.5 paid jobs in the periodical industry itself, along with 7.0 jobs in the supplier sectors. This incremental revenue would also generate directly and indirectly wages and salaries of $484,000 and total output of $1,440,000.

7.3 Trends in the Publishing of Cultural Periodicals

7.3.1 Background

In this section only those periodicals which have received support under the ERDA agreement on an ongoing basis are examined. The intention here is to profile the periodicals which have participated in the Library Purchase Program, the Employment Assistance Program and the Marketing Assistance Program, and to exclude periodicals which only participated in the Library Purchase program (e.g. The Beaver) and/or ceased their operations during the 1983/84 to 1987/88 period (e.g. Wordloom, Northern Light and Herizons). This approach allows observations to be made on the impact of the ERDA program on the Manitoba-based cultural publications using a consistent series of annual data which covers the same publications. The information presented in this section, therefore, encompasses the activities of five cultural periodicals-- Border Crossings (formerly Arts Manitoba), Canadian Dimension, Contemporary Verse II, Prairie Fire and Midcontinental. The last publication listed, Midcontinental, ceased operating in the fall of 1988 but was active in all of the previous five years.

7.3.2 Trends in the circulation of cultural periodicals

Manitoba's cultural periodicals experienced strong growth in circulation over the 1983/84 to 1987/88 period as demonstrated in Table 25. This development is evident when both single issue and annual circulation are examined. More specifically, on a single issue basis the total aggregate circulation (paid and controlled) increased by 37 percent from 18,336 to 25,219 over the five years. This increase is even more impressive when paid circulation is examined -- circulation that is far more valuable to these publications than free circulation. Paid single issue circulation increased from 8,853 to 17,120 representing an increase of 93 percent.

TABLE 25

SINGLE ISSUE AND ANNUAL CIRCULATION OF MANITOBA CULTURAL PERIODICALS, BY TYPE OF CIRCULATION, 1983/84 TO 1987/88 (1)

	1983/84	1984/85	1985/86	1986/87	1987/88	% change 1983/84 - 1987/88
Single Issue Circulation						
Subscription	5,799	8,922	8,181	7,858	10,100	+74%
Single Copy/Newsstand	3,054	7,762	5,362	6,887	7,020	+130%
Sub-total: paid circulation	8,853	16,684	13,543	14,745	17,120	+93%
Controlled & Other	9,483	7,018	6,271	4,197	8,099	-15%
Total Circulation	18,336	23,702	19,814	18,942	25,219	+37%
Annual Circulation						
Subscription	28,049	45,371	39,419	40,274	52,100	+86%
Single Copy/Newsstand	10,853	36,174	22,136	27,946	31,124	+187%
Sub-total: paid circulation	38,902	81,545	61,555	68,220	83,224	+114%
Controlled & Other	28,801	34,122	25,379	18,666	34,596	+20%
Total Circulation	67,703	115,667	86,934	86,886	117,820	+74%
Total Number of Issues	19	22	21	21	24	+26%

SOURCE: Data from Manitoba Arts Council and financial statements of publishers and compiled by Paul Audley & Associates Ltd.

NOTES: (1) Data cover Border Crossings (formerly Arts Manitoba), Canadian Dimension, Midcontinental, Prairie Fire and Contemporary Verse II.

On an annual basis the increases in circulation of cultural periodicals are even higher due in part to the fact that a greater number of individual issues were published over the five year period; the number increased from 19 issues in 1983/84 to 24 issues in 1987/88. The annual circulation (paid and controlled) increased by 74 percent to 117,820 copies, while the paid circulation component increased by 114 percent to 83,224.

As discussed in Section 8.2 of this report, a considerable proportion of these increases in circulation can be attributed to the Library Purchase Program. This is most evident in the increases in circulation from 1983/84 to 1984/85. Circulation then declined in 1985/86 before increasing in 1986/87 and in 1987/88.

Although the aggregate circulation of Manitoba's cultural periodicals increased substantially over the five year period, the individual circulation of these publications remains limited with an average single issue circulation per periodical of 5,043 in 1987/88 of which 3,424 was paid circulation. The highest single issue circulation was 13,400 and the lowest was 700.

Table 25 also shows the composition of the paid circulation of cultural periodicals, indicating whether it is single copy or subscription. Over the 1983/84 to 1987/88 period, annual single copy circulation increased at a greater rate than subscription circulation, rising by 187 percent, or from 10,853 to 31,124. Much of this growth in newsstand circulation can be attributed to one publication. Subscription circulations increased at a lower rate, 86 percent over the five years.

7.3.3 Revenue of cultural periodicals

The total revenue of Manitoba's cultural periodicals is shown in Table 26. From 1983/84 to 1985/86 the revenue of these magazines increased substantially, from $179,200 to $500,900 or by 180 percent. This increase represents a compounded annual growth rate of 29 percent per year. All of the five publications experienced growth in their revenues.

The data in Table 26 also shows which types of revenues increased the most over the five year period. The major growth area is clearly revenue from grants (including private donations). This type of income increased by 245 percent compared to 114 percent for earned revenue (sales of magazines and advertising). Notwithstanding this development, the growth in earned revenue remains impressive and parallels the above mentioned increases in circulation.

With respect to earned revenue, Manitoba cultural periodicals did increase their advertising revenue over the five years but the total amount of $65,600 in 1987/88 remains limited. In fact, two publications accounted for virtually all of the advertising revenue. The limited extent to which these publications have attracted advertising is common to small publications. Advertisers and their agencies typically require single copy circulation of at least 20,000 to 25,000 before they will consider a publication a useful and cost-effective vehicle for advertising messages.

Table 27 provides detail on the grant income reported by cultural periodicals. In some instances this information may not correspond precisely to data from the funding agencies themselves, due to different financial year ends and the accounting practices of individual publishers as to when grant income is recognized. It should also be noted that the grant income attributed to the Manitoba Arts Council includes all types of funding from that source including support from the Manitoba Arts Gaming Fund.

TABLE 26

REVENUE OF MANITOBA CULTURAL PERIODICALS,
BY SOURCE, 1983/84 TO 1987/88 (1)
($000'S)

	1983/84		1984/85		1985/86		1986/87		1987/88	
Revenue from Periodicals										
- Single Copy Sales	6.8		21.4		18.2		18.9		18.9	
- Subscription	46.1		74.7		57.6		86.2		63.2	
- Advertising	19.5		39.5		37.3		29.8		65.6	
- Back Issue	--		7.3		3.5		5.3		7.4	
- Sub-total	72.5*	(40%)	142.9	(50%)	116.6	(36%)	140.3*	(35%)	155.0*	(31%)
Grants	99.4	(55%)	131.6	(46%)	202.1	(62%)	260.0	(65%)	342.2	(68%)
Other Revenue	7.4	(4%)	10.8	(4%)	4.7	(1%)	0.1	--	3.6	(1%)
Total Revenue	179.2*	(100%)	285.3	(100%)	323.5*	(100%)	400.4	(100%)	500.9*	(100%)

SOURCE: Data from Manitoba Arts Council and periodical publishers and compiled by Paul Audley & Associates Ltd.

NOTES: (1) Data cover Border Crossings (formerly Arts Manitoba), Canadian Dimension, Midcontinental, Prairie Fire and Contemporary Verse II.

* Totals may not add precisely due to rounding.

Table 27 shows the increasing importance of ERDA funds to the cultural periodicals. By 1987/88 this assistance represented 22 percent of reported grants, or $75,100. Excluded from the data are ERDA funds received through the Library Purchase Program; this income would be reported by publishers as revenue from the sale of periodicals. The level of support provided through MAC varies substantially among the publications, and some of the periodicals which qualify for ERDA support do not qualify for operating grants through MAC. The data also indicate that the Manitoba Arts Council is the principal source of funding to cultural periodicals. Over the five year period the Council accounted for 34 to 45 percent of the grant income received. Furthermore, the total contribution from the Manitoba Arts Council as reported by publishers increased from $37,900 in 1983/84 to $129,800 to 1987/88. An additional important source of funding to these publications is the Canada Council in spite of the fact that the relative contribution made by this source declined over the five years from 34 percent of the total in 1983/84 to 15 percent in 1987/88. Publishers also made use of other government sources.

TABLE 27

GRANT INCOME OF MANITOBA CULTURAL PERIODICALS,
BY SOURCE, 1983/84 TO 1987/88 (1)
($000'S)

	1983/84	1984/85	1985/86	1986/87	1987/88
Canada Council	33.5 (34%)	42.6 (32%)	59.1 (29%)	45.9 (18%)	51.1 (15%)
Man. Arts Council	37.9 (37%)	44.8 (34%)	78.3 (39%)	118.8 (45%)	129.8 (38%)
ERDA (2)	--	--	1.5 (1%)	41.0 (16%)	75.1 (22%)
Other Government	9.4 (9%)	28.6 (22%)	39.8 (20%)	17.7 (7%)	36.0 (11%)
Private	19.5 (20%)	15.6 (12%)	23.4 (12%)	36.6 (14%)	50.1 (15%)
Total	99.4 (100%)	131.6 (100%)	202.1 (100%)*	260.0 (100%)	342.2 (100%)

SOURCE: Data from Manitoba Arts Council and financial statements of publishers and compiled by Paul Audley & Associates Ltd.

NOTES: (1) Data cover Border Crossings (formerly Arts Manitoba), Canadian Dimension, Midcontinental, Prairie Fire and Contemporary Verse II.

(2) Data cover direct grants only and exclude the ERDA Library purchase program which amounted to $89,300 of which the five periodicals covered by this table received $48,134.

* Totals may not add precisely due to rounding.

7.3.4 Expenditures and profitability of cultural periodicals

As can be seen from the information in Table 28, the publishing of cultural periodicals is not a profitable activity, which explains in part the overall non-profit orientation of this sector of Manitoba's periodical publishing industry. In three of the five years Manitoba's cultural periodicals failed to break-even on a combined basis and they continue to be extremely dependent on grant support for their survival.

Insight into the cost structure of Manitoba's cultural periodicals can be gained from the data presented in the table. The information indicate the extent to which the activity of these publications is subsidized. This is particularly evident when the gross profit margins of these publications are examined. In aggregate terms, these publications had direct costs of sales which are considerably higher than their earned revenue. This is indicated by negative gross profit margins in all five years, which range from -69% to -6%. It should be noted that the contributor fees paid out by these publications reflect in part direct assistance received from the Manitoba Arts Council and therefore overstate somewhat the "real" cost of sales of these publications.

TABLE 28

REVENUE, EXPENDITURES AND PROFITABILITY OF MANITOBA CULTURAL PERIODICALS, 1983/84 TO 1987/88 (1)

	1983/84	1984/85	1985/86	1986/87	1987/88
Revenue					
Periodical and Advertising Sales	72.5	142.9	116.6	140.3	155.0
Grants	99.4	131.6	202.1	260.0	342.2
Other	7.4	10.8	4.7	0.1	3.6
Total Revenue	179.2	285.3	323.5*	400.4	500.9*
Cost of Sales					
Editorial Wages	23.5	17.4	28.3	36.0	37.8
Contributor Fees	10.2	14.0	23.8	33.6	37.0
Typesetting, Printing and Other	88.9	119.4	126.3	140.6	159.0
Sub-total	122.6	150.8	178.4	210.2	233.8
Operating Expenses					
Wages and Benefits	51.6	47.7	64.2	86.9	150.4
Advertising & Promotion	4.9	4.0	7.6	44.8	46.0
Other	51.3	49.5	58.9	78.6	122.0
Sub-total	107.8	101.3	130.8*	210.3	318.4
Total Expenses	230.4	252.1	309.2	420.5	552.2
Net Profit	(51.2)	33.2	14.3	(20.1)	(51.3)
Ratios					
Gross Profit Margin (2)	-69%	-6%	-53%	-50%	-51%
Pre-tax Operating Margin (3)	-29%	+12%	+4%	-5%	-10%

SOURCE: Data from Manitoba Arts Council and financial statements of publishers and compiled by Paul Audley & Associates Ltd.

NOTES: (1) Data cover Border Crossings (formerly Arts Manitoba), Canadian Dimension, Midcontinental, Prairie Fire and Contemporary Verse II.

(2) Sales less cost of goods sold expressed as a percent of sales.

(3) Total Revenue less expenditures expressed as a percent of revenue.

* Totals may not add precisely due to rounding.

However, in all but one year (1984/85) the combined earned revenue of these publications did not even cover their direct production costs, i.e. typesetting, printing and other production costs. The situation in 1984/85 appears to reflect the impact of the Library Purchase Program whereby publishers saw their earned revenue increase substantially while the associated direct expenditures increased at a disproportionately lower rate since some of the publications sold were back issues. The gross profit margins of these publications are unlikely to change in the future until such time as print runs can be increased substantially in accordance with increases in circulation, or the production quality of the publications is lowered to reduce production costs.

While the aggregate cost of sales of Manitoba's cultural periodicals has remained reasonably consistent with earned revenue increases, the operating expenses of these publications has increased at a far greater rate. More specifically, the total operating expenses increased by 195 percent over the five year period in comparison to the increase of 114 percent for single copy, subscription and advertising sales. The data indicate that expenditures on wages and employee benefits, and advertising and promotion accounted for much of the increases, and these are expenditure items funded through the ERDA programs. For these publications, the additional funds made available to them for such expenditures has allowed them to maintain full-time staff on an ongoing basis and to launch circulation development campaigns which had previously been carried out on a very limited basis in earlier years.

7.2.5 Employment in cultural periodicals

The reliance of Manitoba cultural periodicals on various employment assistance programs over the past five years resulted in levels of employment at individual publishers fluctuating from year to year. Overall, the employment generated by the cultural publications increased from 5.5 person-years in 1983/84 to 14.5 person-years in 1987/88 (see Table 29). This information should be viewed as an estimate only, because it was not possible to determine precise employment in individual publications for every year based on a review of ERDA and Manitoba Arts Council documentation, and follow-up interviews with publishers. In many instances publications had varying levels of full-time employment over the course of a given year; data had to be adjusted for purposes of determining what the equivalent employment would be in person years.

TABLE 29

MANITOBA CULTURAL PERIODICALS: NUMBER OF EMPLOYEES
1983/84 TO 1987/88 (1)

	1983/84	1984/85	1985/86	1986/87	1987/88
Full-time	3	4	4	8	11
Part-time	5	5	5	6	7
Person-years	5.5	7.5	6.5	11	14.5

SOURCE: Data from Manitoba Arts Council, ERDA publishing program and periodical publishers and compiled by Paul Audley & Associates Ltd.

NOTES: (1) Employment data was estimated for some publishers in certain years.

8.0 IMPACT OF PUBLISHING DEVELOPMENT PROGRAM

8.1 Overview of Assistance Provided

Table 30 provides an annual breakdown of expenditures in support of periodical publishing through the five ERDA program components. Total expenditures to March 31, 1989 are $318,568. Annual expenditures have varied from a high of $93,248 in 1986/87 to a low of $23,342 in 1985/86.

As is the case of book publishing, the only program that was fully operational in the first two years was the Library Purchase Program. Nevertheless, this program was a substantially less important component of the assistance provided than in the case of book publishing. While in book publishing the purchase program represented just over half of total expenditures, (51 percent), in the case of periodicals, this component accounted for just 28 percent, or $89,340. Of total expenditures through the Library Purchase Program, 80 percent was for books, 20 percent for magazines.

TABLE 30

SUPPORT PROVIDED TO MANITOBA PERIODICALS UNDER ERDA
BY COMPONENT AND YEAR, 1984/85 TO 1988/89

	1984/85	1985/86	1986/87	1987/88 (Projected)	1988/89 (Projected)	TOTAL
Library Purchase	56,797	17,195	15,348	--	--	89,340
Employment Assist	--	--	27,641	32,147	24,000	83,788
Technology	--	--	15,822	7,743	--	23,565
Profes'l Develop	--	6,147	9,419	4,718	5,308	25,592
Marketing	--	--	25,018	31,190	40,075	96,283
TOTAL	**56,797**	**23,342**	**93,248**	**75,798**	**69,383**	**318,568**

The perception in the periodical industry is that the Library Purchase Program was conceived initially to assist book publishers rather than periodicals. As indicated in the analysis which follows there is justification for this view. As a result it is not surprising that most of the expenditures made to assist magazine publishers were made through the other components of the Publishing Development Program. The Marketing, Employment, Professional Development, and Technology Programs accounted for expenditures of $229,228, 72 percent of the total. These expenditures have been made over the past three years.

The individual program components are examined separately below, before turning to an overall assessment of the operation of the program and its impact. The principal goal here is to be as clear as possible about the extent and nature of the assistance provided and to review its impact based on both interviews and available data.

8.2 Library Purchase Program

At the time that the Library Purchase Program was being developed, the magazine publishers were anxious to be included. Modifications were made to the original design of the program to make it more appropriate for and beneficial to periodical publishers. Throughout the period that the program was offered the publishers, through their organization, the Winnipeg Publishers Association (now the Manitoba Publishers Association) continued to express strong support for the program.

When originally implemented in 1984/85 this program automatically provided all public libraries in the province with copies of the Manitoba periodicals which were eligible under the program guidelines. As a result of this initiative the available back issues of eleven Manitoba periodicals were sent to all public libraries. (Border Crossings, Canadian Dimension, CVII, City Magazine, Herizons, Midcontinental, Prairie Fire, Wordloom, The Beaver, Manitoba History, and Northern Light).

Purchases were also made through the program based on orders submitted by school libraries. In the case of school libraries the 1983 Siegler report had proposed that the school library purchases be funded through Manitoba Education. However, the Purchase Program was in fact funded out of the ERDA allocation.

In 1984/85 and again in 1985/86, public and school libraries were offered the opportunity to subscribe to these periodicals. For the 1985/86 program, details were developed through consultation with a Steering Committee which included publishers, librarians and Manitoba Education.

In the short term this program clearly had a positive impact on the financial position of the magazines affected. The amounts individual magazines received through additional purchases varied from a high of $15,571, to a low of $2,400. For the magazines which qualified for assistance from the other ERDA program components, most received in excess of $8,000.

To the extent that the program involved the purchase of back issues of magazines the additional revenues involved minimal extra costs. In fact, 38 percent of all magazine purchases made under the program were of back issues. However, to the extent that new subscriptions were involved these required an increased print run and involved additional costs. Those incremental costs, while normally very welcome to publishers since they indicate growth, include both the cost of printing and shipping additional copies, plus the expenditures which would be made on sending renewal notices.

In responding to the program at the end of the first round, the Winnipeg Periodicals Association described the benefit as follows:

> Thousands of copies of Manitoba cultural periodicals have been received by libraries under the program. The immediate result of these orders is that cultural publishing is already stronger and more viable in Manitoba, without any additional infusion of direct grants to magazines. Even more important for the long run, the increased visibility of these publications is beginning to yield more private subscriptions and more submissions from Manitoba writers in rural areas.

The Manitoba Library Association was also supportive of the program, expressing its approval particularly of the policy of offering libraries materials written and produced in Manitoba. There appears to have been broad general support for the cultural intent of the program.

Nevertheless, problems arose in relation to the school portion of the Library Purchase Program. Given the range of magazines covered there was the potential for some of the content of some of the periodicals to be judged inappropriate for students in the schools. This did, in fact, happen in 1984/85, and, as a result, copies of two of the magazines, Herizons and Midcontinental, were withdrawn from the schools. The result was a controversy

that negatively affected the perception of a program which was otherwise viewed in a positive way, at least in its intent.

There were also concerns among librarians about the extent to which this program encroached on their authority and responsibility to select within available funding the publications most relevant to the readers they served. This concern was particularly acute in the case of the automatic purchase of titles; much less concern existed where librarians were themselves choosing what material they wished to order. Programs based on the latter principal have existed in other provinces, including Ontario and British Columbia and been viewed by librarians in a very positive way.

Two factors combined, however, to lead to a decision in 1985/86 not to continue the program beyond the second year. The first factor was the controversy referred to above, which meant that the Provincial Library Service and Manitoba Education were not likely to support a continuation of this program. The second factor was that the Program was not being funded through either the Department of Education or the regular budgets for public libraries. As a result, the Library Purchase Program was rapidly eroding the $1.5 million allocated through the Agreement for the development of book and periodical publishing.

The decision to terminate the program precipitated concerns among the publishers over the extent to which they might expect to maintain subscriptions from school and public librarians. As we saw in Table 26 back issue sales and subscription revenues of magazines in the program had increased very substantially in 1984/85, largely in response to the purchase program. For the magazines covered in the table such revenues rose from $46,000 in 1983/84 to $82,000 in 1984/85. In expressing their concerns publishers focussed both on the limited acquisition budgets available to public and school libraries, and their own relatively limited marketing resources. At the time publishers seem to have opposed the termination of this program, noting that the Siegler study had recommended that it be continued indefinitely as a necessary means of ensuring that appropriate Manitoba publications were available in publicly-funded libraries throughout the province.

It is certainly easy to agree that the budgets of schools and public libraries should be sufficient to permit them on a continuing basis to subscribe to appropriate Manitoba periodicals. It seems equally obvious that the librarians should decide what publications are appropriate, ideally within the framework of an acquisition budget adequate to cover subscriptions to all relevant Manitoba publications. Nevertheless, in the real world the buying practices of libraries are affected by shortages of trained, experienced librarians, reliance on established suppliers, lack of knowledge of Manitoba publications, and perhaps most importantly, limited acquisition budgets. In the light of all these factors, it is easy to understand why the library Purchase Program was established; but, equally, to agree that ERDA funds ought not to have continued to be used in essence to supplement public library and school budgets.

Apart from a short term initiative to give Manitoba periodicals visibility in the library market, any on-going initiative to put Manitoba magazines into public libraries and schools ought to be financed through the normal sources of funding for those institutions and to be incorporated into the framework for their operation. It seems therefore, to have been a sound decision to discontinue the purchase program and reinstatement of such an initiative should not be undertaken within the framework of an extended ERDA initiative, or any comparable program. Instead, policies and funding mechanisms related to the acquisition of Manitoba periodicals, like the acquisition of Manitoba books, should be pursued as part of the Manitoba Government's policies affecting public libraries and schools.

In the period since the purchase program ended, the views of the program expressed by the magazines publishers themselves have changed. In retrospect, the program is characterized as "a big disaster", "a big fiasco", "ill-conceived", "premature", "more or less a disaster", and so on. Almost all publishers interviewed, however, were quite candid about the fact that they had supported the program at the time, and some felt there had been some on-going benefit.

A number of publishers thought that the initiative was basically a good idea, but that it had proceeded in the first year without sufficient understanding of the real problems of both libraries and publishers. There was not enough consultation in advance with public and school librarians and there was too little recognition that not all of the magazines produced content that was relevant to, or appropriate for, all of the libraries. In the case of the publishers the view expressed by many was that too little attention was given to the potential dangers of artificially expanding into inappropriate markets where they could not expect to sustain their presence.

A number of publishers noted that the program resulted in a false growth in their subscriber base and revenues. They were then unable to renew most of those subscriptions, although in some cases significant resources were committed to trying to get those renewals and, in the end, subscriptions from that market reverted to levels not much higher than before. Publishers reported renewal rates of as low as three percent or six percent; although most noted that in the short term the increased sales had been helpful, and, without offering precise figures, other publishers' comments suggested a significantly higher renewal rate.

It was not possible within the scope of this study to produce reliable, comprehensive data which would document the extent to which library subscriptions increased as a result of the program, and the extent to which these were subsequently lost. However, both aggregate data for cultural periodicals and data from some individual publishers suggest that these magazines did not maintain a substantial percentage of the subscriptions they acquired through the program.

In retrospect it appears that for magazine publishers it would have been better if they had received the $89,340 spent on the purchase program to permit them to purcue increased marketing or circulation development efforts. Magazine publishing differs markedly from book publishing, and for any

publisher of a paid circulation magazine the only effective way to strengthen the magazine is to find additional subscribers who will actually renew their subscriptions.

It remains essential also to be realistic about the potential circulation base of particular magazines. A magazine that is specifically designed for a demanding and relatively small percentage of the public is not going to be turned into a popular, large circulation magazine. Similarly, in the case of the cultural magazines included in the purchase program, not all were appropriate for school libraries or for every public library. Public policy can help magazines reach the audience that is appropriate for them; but it makes little sense to try to make magazines available in outlets for which they are not appropriate.

As the termination of the Library Purchase Program approached, detailed proposals were being developed to implement other components of the Publishing Development Program. Among these components was the Marketing Assistance Program which was intended to help publishers own efforts to increase their circulation. Indirectly the Employment, Professional Development and Technology components all had the potential to enhance magazine publishers understanding of circulation maintenance and development.

In the overall assessment of the impact of the ERDA initiative on magazine publishing the negative comments concerning the Library Purchase Program need to be kept in perspective. First, they involved a much smaller proportion of the total support provided than was the case in book publishing, and therefore a balanced assessment must give weight primarily to the other components of the Publishing Development Program. Secondly, at least in the short term the purchase program did result in significant additional revenues for the cultural magazines affected, and created greater awareness of them. However, on the whole the subscriptions gained were not maintained and the medium to long-term benefit of the program was limited.

8.3 Marketing Assistance Program

In describing the impact of the Marketing Assistance Program on book publishers (in section 4.6) it was noted that the original allocation of funds in the Fall of 1985 was changed in October, 1986 to reassign $213,000 from the other ERDA components to marketing. This change reflected concerns that, as the Library Purchase Program concluded, publishers would have to depend to an increasing degree on their own increased marketing efforts if they were to sustain or expand the increased level of sales achieved through the purchase program.

A concern to strengthen marketing efforts had existed among the magazines affected by the ERDA initiative almost from the beginning. In November, 1985 a workshop was held to assist publishers in developing strong circulation development programs for their magazines. As a result of that workshop, and in the absence at that time of a significant marketing component in the ERDA program, the Manitoba Arts Council established a one-time initiative with funding of $30,000 to assist in carrying out the new circulation development

campaigns the magazines had developed. This program was complemented by $8,650 from the ERDA program budget. Seven magazines benefitted, including all of those magazines which would participate in the overall ERDA program as the five components were put in place.

Once the Marketing Assistance Program was approved late in 1986, guidelines were announced. The overall purpose of this component was to assist publishers to expand and sustain long-term marketing activities and achieve increased sales and circulation. Eligible projects included circulation campaigns, renewal campaigns, and fees or salaries paid to special marketing staff or consultants.

For those Manitoba periodicals which qualified for Canada Council support care was taken not just to avoid double-funding of marketing projects, but to avoid "topping up" support from other sources. This concern appears appropriate and our review of the files suggests that care has been taken to avoid duplication or completion of support from other sources.

In addition to identifying eligible projects, the guidelines included limitations on the level of assistance to be provided --which was $10,000 annually. In practice the program appears to have counted as eligible costs only the direct incremental costs related to a marketing initiative and not internal staff time. The program does not cover more than 75 percent of the total cost of marketing projects submitted. A lower limit of $5,000 was set on the amount that could be applied for in relation to any single project.

The guidelines for this program reflect a strong emphasis on developing and maintaining the subscriber base of eligible magazines, essentially through direct mail campaigns. Some publishers believe that, in the implementation of the program there has been a predisposition to favour direct mail campaigns over other marketing initiatives. A number of publishers complained of their own priorities and judgement being "second-guessed" by the evaluators of applications and by program management. However, program records indicate that of the 19 applications processed, 11 involved direct mail; and that of the remaining eight applications, only one was not approved completely.

The emphasis on subscriptions is not particularly surprising, nor is it inappropriate. Revenue from subscriptions accounted for an average of 64 percent of the total earned revenue of the cultural magazines in 1983/84, and 41 percent in 1987/88. The 1987/88 average, however, largely reflects a single magazine with an overwhelming reliance on advertising revenue. The extent of dependence on subscribers for earned revenue varies from magazine to magazine -- from a high of 81 percent to a low of 25 percent.

It must be kept in mind in designing and operating a marketing support program that marketing for a magazine encompasses everything from its physical appearance and design, to its effective distribution to its audience, and includes promotion, advertising sales and sales in the "newsstand" or single copy market. The various markets differ in their importance from magazine to magazine. As a result the relative level of emphasis given to each of these "markets" varies from publisher to publisher. A marketing assistance program needs to have the flexibility to provide support for those activities most likely to be productive. For some publishers, an enhanced presence on the

newsstands or other appropriate retail outlets is essential; for others a stronger effort with advertisers may generate increased revenue.

It should be emphasized here that the program has not been closed to other marketing initiatives than direct mail. However, there is a wide spread perception among the publishers that they are less likely to get the support requested if they propose other kinds of marketing initiatives. It is, therefore, recommended that care be taken to remain equally open to all types of marketing initiatives, while recognizing that for most the focus will continue to be on direct mail.

In assessing the impact of the marketing assistance provided since the program came into effect late in 1986, two factors are particularly relevant. First, it is important to examine to what extent marketing expenditures increased. As Table 28 indicates, advertising and promotion expenditures for the magazines covered by the program jumped sharply from an aggregate annual level of $4,000 to $8,000 between 1983/84 and 1985/86, to levels of about $45,000 in 1986/87 and 1987/88. On a percentage basis this represented an increase from a level of two percent of total expenditures to a level of 11 percent in 1986/87 and eight percent in 1987/88.

At the national level, promotion and marketing expenditures account, on the average, for seven percent of total expense, with magazines in Ontario and Quebec at eight percent (based on 1986/87 Statistics Canada data). The two percent level which existed prior to the initiation of the Marketing Assistance Program was certainly too low even to sustain existing levels of circulation. The publishers, as is clear in the profile of them in section 7.4, were also not themselves generating funds that would have permitted them to put more of their own resources into marketing.

The second factor that has to be examined in determining the impact of the marketing program is levels of circulation for the magazines involved. As is evident in Table 25 the Library Purchase Program had pushed per issue subscription levels up by 54 percent in 1984/85 over the previous year. There was great concern that, as the Library Purchase Program was phased out, circulation levels would slip back to earlier levels. However, while there was in fact a decline of 12 percent in subscription levels between 1984/85 and 1986/87, there was not a decline to 1983/84 levels and, more importantly, in 1987/88 both subscriber levels and total circulation reached a new and higher level -- in the case of subscriptions 74 percent higher than in 1983/84, and for total circulation 94 percent higher.

These increases in paid circulation would not have occurred without the increased marketing efforts assisted by the Marketing Assistance Program. The positive response of the public to these Manitoba periodicals indicates that there is public interest in them, including a willingness to pay for them; and that, given assistance to market their publications at least to the same degree that other Canadian periodicals do, there is considerable potential to achieve circulation growth.

Although the continuation of this program is valuable and important, several changes would be helpful to its success. First, as proposed already,

it should be made clear that there is no bias toward any particular type of marketing. This does not mean that there is in fact a bias in the administration of the program, but that there clearly is at least the perception of bias toward direct mail. Care should be taken to ensure that the strategies being pursued by the publishers are well understood by the evaluators of their applications. The use of expert advisors by program management has clearly been helpful, but provision needs to be made to at least ensure they have access to all relevant and up-to-date information and that the final decision by program management reflects a full understanding of each application.

Part of the essential background to assessing applications for marketing assistance is a knowledge of the results the periodical has achieved in earlier marketing efforts. In the case of direct mail marketing this includes information on the response achieved using various mailing lists, the renewal rates for subscribers acquired from various sources, the response to different subscription offers, etc. At present the program guidelines require that a report be filed on the results of any marketing initiative undertaken. However, such reports must now be filed along with the final budget for each project, before the publisher can request payment of the second half of the assistance provided. The result of this linking of payment to the filing of a report is to encourage publishers to report before they can provide much information on the response received. The reports being filed are not in most cases providing an adequate basis for assessing the impact of the support given.

It is recommended that applicants be given their final payment on marketing assistance projects subject only to the filing of a complete cost report or budget. However, it should be required that each publisher file a thorough report on the project or projects undertaken before being eligible to receive support the following year. Guidelines should be developed indicating the nature of the information such reports should contain, leaving some room for flexibility based on the different levels of staffing and expertise within individual magazines.

Generally speaking, magazine publishers have found the existing levels of assistance available from the marketing assistance program too low, including both the $5,000 per project limit and the annual total of $10,000. In the case of the per project limit there seems little or no justification. If what makes most sense for a publisher is to put all of this support into a single circulation development initiative there is no apparent reason why this should not be accepted. In the case of the $10,000 limit, the increase in the circulation and revenue base of the magazines since 1986/87, when the program began, suggests that in 1989/90 an increase may be justified. Publishers should continue to be required to cover at least 25 percent of direct project costs themselves.

Most magazine publishers have found it more difficult to develop and implement marketing programs than have the book publishers who have participated. This difference reflects largely the limited staff most periodical publishers have. It is important, therefore, to keep the marketing aspect of these periodicals in perspective in relation to all the other

functions which must be performed. Ultimately, of course, what keeps the readers who are attracted by marketing campaigns is the provision on a continuing basis of high quality writing which responds to the needs and interests of the public. Without this all the marketing, financial management, or other skills important to publishing are irrelevant.

8.4 Employment Assistance Program

One of the central premises of the Siegler study was that publishers in the province were at a "cottage industry" stage and that access to assistance in financing an expanded number of employees was a central element in a program of support to help the publishers grow beyond this stage. In presenting this thesis the Siegler study drew attention to the very rapid growth that had occurred over the previous decade in British Columbia. Other examples could have been found -- for example, in Alberta, as the recent study by Jim Douglas quoted earlier in this report indicates. As we have seen in Part II of this report, this premise also proved to be valid in the case of Manitoba-based book publishers as well.

However, when the Employment Assistance Program was set up it was simply assumed that these premises concerning growth potential applied equally to periodical publishing. There are, however, a considerable number of differences between book and magazine publishing which this assumption ignores. The central difference is that while a book publisher can expand the number of "products" being marketed, the periodical publisher has just one. A book publisher can increase the number of books published; begin to publish for new markets; and otherwise fundamentally change or increase the list of titles being sold. By contrast, a periodical publication is limited by the potential of the particular magazine being published. While there may well be substantial potential for growth in the circulation and earned revenues of a particular magazine, that potential is limited in a way that the potential growth of a book publisher is not. It must be acknowledged as well that there was only limited data and analysis available concerning the magazine industry and this undoubtedly made it more difficult to judge what was possible.

When the Employment Assistance Program was established it provided for eligible publishers to receive assistance with 75 percent of wages the first year, 50 percent the second, and 25 percent the third. The guidelines are described in more detail in section 4.3 above.

In applying for this assistance the guidelines stressed that the key elements were to be self-financing of the Program-assisted position at the end of the program and company growth and stabilization. Three-year business plans were to be developed which would reflect an integrated plan for achieving these goals. Recognizing that the individuals in the supported position, whether it was a new or an upgraded position, would need training, the Employment Assistance Program was linked by intent to the Professional Development Program.

One of the other differences between the position of book publishers and magazine publishers was that, while most book publishers already had at least one full-time employee, most periodicals did not. Only two of the seven periodical publishers already had a full-time employee. In that event the money ERDA provided in all cases went toward the salary of a managing editor. By contrast, in book publishing the additional person hired was usually involved in marketing. To the extent that the new position created was expected to generate increased sales this difference was indeed relevant.

Four magazines initially received assistance through the program: Border Crossings, Prairie Fire, City Magazine, and Canadian Dimension. City Magazine withdrew from the program after about a year, with the support being transferred to a second magazine, Midcontinental.

There are two ways in which the impact of the program-assisted employee can be looked at: first, what did the presence of the employee permit the magazine to do which it could otherwise not have done; and secondly, did the publishers achieve the circulation and revenue targets which they presented in the three-year plan which accompanied their applications.

The progress the magazines have made since the program began in 1986/87 has been substantial. It is difficult, for example, to believe that the progress made in increasing subscriber and single-copy sales could have been achieved without at least one full-time employee in the principal magazines affected. While it is beyond the scope of this evaluation to examine the content of each magazine over the period, the limited sampling that has been done suggests significant improvements in the quality of their content. There are also additional people in the industry, as a result of the program, who have made substantial progress in increasing their knowledge and skills. The same four individuals supported through the program continued to be involved.

Nevertheless, if one looks at whether the targets the publishers originally set in the three year business plans submitted are being achieved, it is clear that generally speaking they are not. Because of the transfer of this assistance from one of the publishers originally involved, it is not possible to produce aggregate figures for all four publishers, and confidentiality requirements prevent the use of precise data for the remaining three. However, it is clear that two of the three publishers originally involved have fallen substantially short of the targets set so far and will not meet the goal at the end of the third year. This does not mean, as is clear from the industry profile and the assessment of the marketing component above, that they have not made progress, but they have made far less progress than their three year plans predicted. The remaining publisher, of the three originally in the program, has so far fallen short of the targets set but not substantially. Finally, the fourth publication, Midcontinental, after making major changes in its business plans and method of operation, has ceased to publish since the research for this study was completed.

The general position of the periodical publishers as expressed through their association, is that the Employment Assistance Program was quite helpful but that it was based on unrealizable goals. Interviews with individual

publishers indicate that all believe that the premise was false that over a three year period they could generate enough additional revenue to pay the cost of the full-time employee hired under the program. One publisher who participated felt that the goals could have been achieved over five years rather than three; the others simply point out that what they really need to sustain the progress they have made and continue to strengthen their magazines both editorially and in their circulation and revenue is additional on-going operating assistance. Most feel that what they need on an on-going basis is at least two full-time staff --a managing editor and someone to handle marketing, distribution and perhaps accounting.

By intent the Employment Assistance Program was linked to the Professional Development, Technology and Marketing Components. Publishers were to be assisted to acquire a new employee; and that new employee was to have access to new computer equipment, professional training, and a substantially increased marketing budget. However, in periodicals which had only one full-time employee on an on-going basis this put a considerable strain on a single person -- a person who usually felt primarily responsible for maintaining high quality content.

At a minimum the premise that the particular magazines being supported could grow at a fast enough rate to cover the cost of a new employee was unreasonable. Few magazines, even very successful ones, ever grow at the rate that would have been necessary to meet the projections made, given that all participants were starting from a quite limited revenue and circulation base. Equally important, the program did not recognize the finite growth potential that existed for some of the magazines. While it is a reasonable goal for a magazine such as Prairie Fire to try to be the very best magazine publishing original poetry and fiction, and the most successful, it will not become a successful consumer magazine as a result. It will still be a literary magazine, with the limited circulation that goes with that category of publishing. This does not, of course, mean that these magazines do not need assistance to permit them to have a reasonable minimum level of paid staff; but rather that it would have been more realistic to make provision for such increased staffing levels primarily through increased operating grants.

In summary, it seems clear that the premise of this program was false for these particular magazines, i.e. publications which were not "consumer" magazines intended for a wide public audience. However, we have seen that considerable progress has been made and the central concern at this stage should be to ensure that follow-up initiatives are taken, appropriate to the specific magazines involved, which will at least consolidate and preferably build upon the progress that has been made. We return to a consideration of this issue in Chapter 10.

8.5 Professional Development

The first professional development activities which occurred under the program were a financial management workshop in spring/summer, 1985 and a circulation development workshop held in November, 1985. Over the course of

the program the total expenditure projected to the end of fiscal 1988/89 is $25,592.

Workshops have been a prominent part of the professional development activities supported through the program. The following workshops have been held for magazine publishers:

1. Financial management (K. Seigler) — Spring/Summer 1985 (5 days)
2. Magazine marketing (Greg Kielty, Ken Rodmell, Colleen Molony) — Fall 1985 (3 days)
3. Magazine direct mail packages (Robert MacDonald, Elizabeth Wilson) — Summer 1986 (individualized)
4. Follow-up on direct mail (Greg Kielty) — Fall 1986 (individualized)
5. Magazine renewals (Robert Chodos, Susan Eckenwalder, Connie Rooke) — Winter 1987 (1 day)
6. Magazine editing — Fall 1987 (1 day)

Assistance was also provided to publishers through the program to attend the Banff Publishing Workshop, which provides an intensive multi-week program.

Publishers generally reported that they found the early workshops held in Winnipeg helpful, as well as the Banff Workshop. All publishers, however, noted that there had been no workshops recently in the province -- in fact since October, 1987 -- although several publishers have received assistance to attend courses outside the province.

Part of the reason the early workshops were judged interesting, helpful and successful by almost all of the publishers was that they provided for active involvement by each publisher, with individualized attention given to developing specific projects. There was also careful follow-up to these early seminars. The seminars were well attended and publishers continue to express the view that professional development support is essential to the further strengthening of the industry.

Part of the interview process carried out for this study involved meeting with some publishers who did not qualify for or participate in the program based on the original guidelines. This included interviews with representatives of The Beaver, Manitoba Business, Business People, and Greater Winnipeg Business. While their views are discussed further later in this report, this very limited sampling of Manitoba periodicals outside the program suggests that there would be a wider interest in professional development activity.

There have been constraints on the continuation of a strong professional development program. These include the fact that in a number of the eligible publications there is only one person employed on an on-going basis and that

person has many tasks to perform and may find it difficult to articulate precise proposals for new activities. In most industries it is also the industry association which takes responsibility for organizing such activity, or making members aware of activities in which they might be interested. In the absence of any paid staff this is a function the Manitoba Periodical Association has found very difficult to perform

Not all magazines have an interest in, or feel a need to develop additional expertise in the same areas. There is also a point at which individuals have acquired the basic skills and require either more sophisticated and specialized training, or need to be able to hire a consultant or specialist to assist them on a short-term basis.

There will always be a series of key choices to be made in designing initiatives to support professional development -- between an individualized approach versus a group approach, between assisting people to receive training outside the province and mounting training activities in Manitoba. However, there is a clear need to continue to provide professional development assistance.

At present MAC provides professional development support as well as the ERDA program. A number of publishers, however, who qualify for ERDA support do not qualify for MAC assistance and the level of MAC support has been limited. For this reason, while both MAC and the ERDA program provided support to periodical publishers to attend Banff, most of the funds came from the ERDA program. It may be desirable at some point in the future for such assistance to be available from just one source. As discussed later, this might be a continuation of a revised program based on federal-provincial co-operation, with a Steering Committee which would involve MAC and the Canada Council, as well as representatives of the federal and provincial government departments.

As in the case of book publishing a more ambitious and flexible approach needs to be taken in the future. Greater attention will need to be given to a more individualized approach, reflecting the needs of specific periodicals. This should include provision for individual publishers to bring in industry experts to assist them. This purpose might be accomplished through the provision of project assistance as discussed in Chapter 10.

8.6 Access to Technology

In periodical publishing, unlike book publishing, a standardized approach was not taken in providing assistance to publishers to acquire computer equipment, software and laser printers. Four magazines qualified for this component of the Publishing Development Program, receiving a total of $23,565 in assistance. While book publishers had almost all of their computer acquisition costs covered through a joint funding agreement between ERDA, which provided 37 percent of costs, and the DOC Book Publishing Industry Development Program, which covered almost all of the remainder, this was not the case in the periodical industry. Instead, the ERDA program provided 60

percent of total funding to a maximum of $7,000, with the publishers required to cover the remaining 40 percent of costs from other sources. In the case of three of the four periodicals, most of the remaining costs were covered through the Manitoba Arts Council.

In choosing their systems, magazine publishers were guided, however, by a consultant's study commissioned earlier through the program ("Computerising the Winnipeg Periodicals Association", Yuri Rubinsky and Douglas MacLeod, GutenWorks Publishing Systems). However, they were free to select their own systems individually.

The study prepared as a basis for selecting computer systems was practical in its orientation, stressing that the on-going costs associated with running a computerized system needed to be recognized and that "If a computer doesn't make sense in the context of the magazine's financial and staffing considerations then that magazine should be bold enough to resist expending funds on such a machine." Based on their survey of the seven eligible magazines the consultants concluded that:

> While all of the seven magazines ... are of consistently high quality there is, in almost all cases, a crying need for the continuation of the professional development program in such areas as circulation, promotion, financial recording and record keeping in general. The members of the W.P.A. will not be able to make good use of computers until they take control of each of these areas.

The study noted that the limitations which then existed in the industry were often a product of the shortage of time and money, and recommended that "their use be tied to your program of professional development." Nevertheless, the study identified potential gains where a computer could be used successfully, which would be substantial. These included a reduction in typesetting costs, easier production of form letters and mailings, more efficient maintenance of subscriber lists and handling of renewals, and so on.

Of the four publishers interviewed who received assistance to computerize, two reported that they had had a good experience with the equipment acquired and were making extensive use of it. Both felt that it had made their operations more efficient. Both were using the system for accounting and bookkeeping functions and for handling all of the text of the magazine.

Two of the four recipients, however, stated that good training in the use of the system had not been provided. Recipients were responsible for deciding what training was required, with 60 percent of these training costs covered by the ERDA program. Of the two recipients who expressed concerns about training, one reported that the system was being used to handle subscriptions and all text production (in combination with someone else's laser printer) but not accounting functions, while the other expressed concern that the less expensive system purchased for that particular magazine was not standing up well and that the printer had limitations which forced some reliance on outside text composition. Nevertheless, in all cases substantial use is being made of the systems acquired.

It was not possible within the scope of this study to examine in detail the use each publisher was making of the computer system acquired. Nevertheless, it does appear that further training is required in at least some cases to maximize the benefits achieved. This assumes, of course, that publishers are interested and want to commit the time, which in principle at least appears to be the case.

There are also publishers whose operations are not yet computerized, but in our interviews expressed an interest in acquiring a system. This included both publishers who qualify under the existing guidelines, and ones that do not. In the future it will be essential through a strengthened professional development initiative to improve the ability of publishers with systems to use them effectively. It would also be valuable to continue to make support available on a cost-shared basis for publishers to upgrade existing systems where appropriate, or acquire systems where they do not already have them.

8.7 Program Administration

A number of concerns were expressed by periodical publishers regarding the administration of the Publishing Development Program. The general feeling among the magazines eligible for the program is that the Manitoba Periodicals Association and the publishers individually have not been adequately consulted over the course of the program and that their views have not been listened to. One publisher said that there had not been enough follow up and monitoring of impact and did not feel there was a lot of interest in Manitoba magazines. Several other publishers shared the view that there was not a lot of interest and noted that program management spent little time with magazine publishers.

Clearly there are some stresses in the relationship between periodical publishers and program management. To some extent these tensions are probably related simply to the fact that the particular magazines involved in the program could not in many cases reasonably hope to meet the expectations on which the program was based. However, given that basic conflict, the consultative relationship seems to require considerable improvement. Some of the friction seems related to a perception that no distinctive approach has been developed through the Publishing Development Program which is explicitly designed to be effective in magazine publishing; instead, periodical publishers feel that they are simply tacked on to the eligibility criteria developed for programs designed to meet the needs of book publishers. In some cases the results are useful support programs; in others they are not.

This evaluation generally supports the validity of the concern that not all of the assistance provided to magazine publishers reflected their real needs and priorities. For example, the Library Purchase Program was inappropriate for them, while the premises of the Employment Assistance Program were reasonable for book publishers, but not for those magazine publishers who were eligible.

However, the guidelines for the programs appear consistent generally with the objectives of the Agreement. Moreover it must be noted that during the period from April, 1985 to November, 1986 when the program guidelines were, for the most part, being developed there were nine formal meetings with representatives of MPA. In general, the guidelines are clear and well defined, if one accepts the assumptions behind them, and both the application forms and the process for assessing them seem reasonable. Where there have been some weaknesses in administering the programs is in the reporting and on-going monitoring of the results achieved. There is considerable scope for improvement in reporting and some suggestions have already been made; however, care must also be taken to avoid placing unreasonable burdens on publications with very limited staff.

The application forms and processes were generally considered by participants to be reasonable and the support provided was appreciated, albeit most publishers, as indicated earlier, objected to the premises of some of the programs. Only one publisher suggested that applications had not been dealt with in an even-handed way; and we encountered no evidence in the course of this study which supported that view.

Linked to the issue of reporting and monitoring is the need for better follow-up. Greater attention needs to be given in future to ensuring that, for example, with the technology component there has been adequate training provided and that the most effective use possible is being made of the equipment.

8.8 Economic Impact of ERDA Program

To assess the impact of the ERDA programs on Manitoba's periodical publishing industry it is important to keep in mind that it was only the cultural publications which participated in the programs. For this reason, the assessment presented below is limited to cultural periodicals only, and specifically those five publications for which detailed information is available, namely Border Crossings, Canadian Dimension, Contemporary Verse II, Midcontinental and Prairie Fire. These publications accounted for 78 percent of the ERDA support provided to periodicals over the 1984/85 to 1987/88 period. The publications which received the remaining 22 percent are excluded from the analysis because they either ceased their operations over the five year period or detailed information was not available on their operations. The funding received by these other periodicals was primarily through the Library Purchase Program.

A second consideration is the limited extent to which it is possible to isolate the impact of the ERDA programs on the growth experienced by Manitoba's cultural periodicals, since these publications increasingly received support from other sources, particularly the Manitoba Arts Council. Clearly, this additional funding would also have had an impact on the earned revenue, circulation and employment of the periodicals under study. In stating this, however, it is also recognized that because the ERDA programs are targeted at specific aspects of the operations of the periodicals changes

in these areas can be examined as a means of judging the overall impact of the ERDA programs.

An area where the ERDA programs have had a significant impact is that of earned revenue. As was noted previously in Section 8.2 of this report, the Library Purchase Program boosted the single copy and subscription sales of cultural periodicals in 1984/85 and to a lesser extent in the following two years. Some of these subscriptions were renewed in subsequent years and this served to further increase their magazine sales. The Marketing Assistance Program which commenced in 1986/87 has supported circulation development campaigns that have contributed to increasing magazine sales. It should be noted, however, that a time lag exists between marketing efforts and increases in circulation levels. It is also assumed that the Library Purchase and Marketing Assistance programs also indirectly increased the advertising sales of the publications, given that the potential to sell advertising is directly related to circulation. Based on interviews with publishers and a review of relevant financial information, estimates were made on the impact of the ERDA publishing programs on the earned revenue of the cultural publications (refer to Table 31). Over the 1983/84 to 1987/88 period, it is estimated that the ERDA publishing programs accounted for 62 percent of the growth in the combined sales of magazines and advertising.

TABLE 31

ESTIMATED IMPACT OF THE ERDA PROGRAMS ON THE MAGAZINE AND ADVERTISING REVENUE OF CULTURAL PERIODICALS, 1983/84 to 1987/88
($000'S)

	1983/84	1984/85	1985/86	1986/87	1987/88
Total Earned Revenue	73	143	117	140	155
- Impact without ERDA	73	101	96	90	104
- Incremental Impact of ERDA	--	42	21	50	51

SOURCE: Data on total earned revenue are from Manitoba Arts Council and the ERDA Publishing program. The data on incremental impact are based on ERDA program records and were estimated by Paul Audley & Associates Ltd.

When the above increases in earned revenue are examined in conjunction with the direct ERDA support provided to Manitoba's cultural periodicals it is apparent that the ERDA programs have had a significant impact on the output of the sector (earned and grant income). Table 32 shows the estimated economic impact of the cultural periodicals on the economy of Manitoba at both the direct and indirect levels, and what is judged to be the incremental impact of the ERDA publishing programs. It is estimated that 39 percent of the growth

in earned and grant revenue experienced by cultural periodicals from 1983/84 to 1987/88 can be attributed to the ERDA programs. For the four year period for which the programs were operational it is estimated that the total revenue of these periodicals increased by $280,000. Over this period the total ERDA funds flowing to these publications totalled $170,000 (an additional $12,000 had flowed to these publishers by March 31, 1988 but was not reported by publishers as most of the data collected was for the year ending December 31). The actual benefits of this funding should in fact be higher due to the time lag associated with the Marketing Assistance Program.

TABLE 32

ESTIMATED INCREMENTAL IMPACT OF ERDA PROGRAMS ON CULTURAL PERIODICALS IN MANITOBA 1983/84 TO 1987/88

	1983/84	1984/85	1985/86	1986/87	1987/88	TOTAL 1983/84 to 1987/88
TOTAL IMPACT						
A. Direct						
Output ($000's)	179.2	285.3	323.5	400.4	500.9	1,689.3
Paid Jobs	5.5	7.5	6.5	11	14.5	45.0
B. Direct & Indirect						
Output ($000's)	258	411	466	577	721	2,433
Paid Jobs	8.7	11.9	10.3	17.5	23.1	71.5
ESTIMATED IMPACT WITHOUT ERDA						
A. Direct	179	243	303	309	375	1,409
Output ($000's)	5.5	6.5	5.5	6.0	9.5	33.0
B. Direct and Indirect						
Output ($000's)	258	350	436	445	540	2,029
Paid Jobs	8.7	10.3	8.7	9.5	15.1	52.3
ESTIMATED INCREMENTAL IMPACT						
A. Direct	--	42	21	91	126	280.0
Output ($000's)	--	1.0	1.0	5.0	5.0	12.0
B. Direct and Indirect						
Output ($000's)	--	60	30	131	181	402
Paid Jobs	--	1.6	1.6	8.0	8.0	19.2

SOURCE: Total impact was compiled by Paul Audley & Associates Ltd. and is based on data from Manitoba Arts Council, publishers' financial statements and government agencies, and impact multipliers provided by Culture Subdivision, Statistics Canada. (Refer to notes on Table 6 for additional information.) Estimated impact without ERDA and estimated incremental impact were calculated based on ERDA funding, and discussions with Manitoba periodical publishers.

With respect to employment it is estimated that by 1987/88 five person-years of direct employment at cultural periodicals were created as a result of the ERDA programs. On a cumulative basis the estimated incremental employment amounted to 12 person years of direct employment over the four years.

The direct impact of the ERDA publishing programs is only part of the total impact. It is estimated that the combined direct and indirect impact of the ERDA programs amounted to $402,000 in total output and 19.2 person years of employment, at the publisher and supplier levels.

9.0 RELATIONSHIP BETWEEN ERDA AND OTHER GOVERNMENT PROGRAMS

9.1 Introduction

For the whole of the Canadian magazine industry the major support measures are not government programs but rather indirect measures of support. This indirect support provided through the provisions of Section 19 of the federal Income Tax Act (Bill C-58) and concessionary postal rates provides a framework intended to foster the growth of Canadian periodicals.

For the purpose of Bill C-58 and postal rates Canadian magazines are defined on the basis of two criteria. First, the controlling interest in the magazine must be held by Canadians; and, secondly, a substantial majority of the content must be generated for the magazine. These dual ownership and Canadian content requirements are the same as those reflected in other public policy initiatives affecting the cultural industries. There are complementary customs regulations which assist in achieving the goal of these income tax provisions, which is to help expand the advertising revenues of Canadian magazines.

These advertising-related initiatives, however, are relevant principally to Canadian consumer magazines and to trade and business magazines, which are likely to attract advertising revenue. The provision of concessionary postal rates has been the second major element of indirect support. The importance of these concessionary rates to Canadian magazines has been demonstrated in a number of recent studies, prepared mainly for the federal Department of Communications. Reduced rates have a positive effect on all magazines, regardless of their size, although they tend to be greatest for larger circulation periodicals. Continuation of concessionary rates at the current level of subsidy for the next five years was announced by the federal government in 1988.

The Department of Communications study, Vital Links defined culture broadly, to include information, entertainment and ideas, as well as the arts. Within this broader context both these indirect support measures, and the programs of direct support offered federally to artistic and literary magazines through the Canada Council and to scholarly and scientific

publications through the Social Science and Humanities Research Council and the Natural Sciences and Engineering Research Council, are viewed as supporting magazines which have an important function in sustaining Canada as a community and in maintaining a distinctive identity. In short this framework views all Canadian periodicals as, in a sense, cultural periodicals, and simply makes a distinction between those which can be commercially self-sustaining (assuming the indirect measures noted above) and those which cannot be commercially self-sustaining but within the broad framework of public policy goals have a cultural role which justifies special support.

In conceptual terms, the decisions which were made about eligibility for assistance through the ERDA programs were to some extent contradictory. By excluding from the program consumer magazines in Manitoba, which might with assistance have achieved quite substantial growth, the potential for producing successful results based on the assumptions made in some of the program guidelines was greatly reduced. A broader definition of eligibility would have made its success more likely based on the criteria set: for example, in the Employment Assistance Program.

As it was, access to the program was restricted to categories of specialized publications which were likely to continue to require on-going direct public support. This reality is not unique to magazines, applying also to the book publishers and film and video producers affected but in terms of the content involved, represented a more narrow approach. Manitoba book publishers eligible for assistance through ERDA could and did try to produce books for popular audiences; while film and video, or record producers certainly aimed to attract large audiences to their productions; but in the case of the magazines industry only, most publishers who were hoping to reach substantial audiences were not eligible for support.

9.2 Complementarity with Other Programs

For the periodicals that were eligible for support through the ERDA program the significant sources of additional support are the Canada Council federally, and the Manitoba Arts Council provincially.

As Table 33 indicates the extent of Canada Council assistance to literary and arts magazines in Manitoba was lower in 1987/88 than it had been five years earlier, in 1983/84, $41,500 compared to $46,500. Taking into account inflation this, of course, reflects an even more significant reduction.

The Canada Council itself reports that as a percentage of total budgets its assistance to literary and arts magazines has been declining. This certainly is the case with Manitoba periodicals, whose budgets and circulation have grown substantially over this five year period.

TABLE 33

CANADA COUNCIL GRANTS TO MANITOBA PERIODICAL PUBLISHERS
BY PUBLISHER, 1983/84 TO 1987/88

	1983/84	1984/85	1985/86	1986/87*	1987/88*
Aid to Periodicals					
Arts Manitoba/ Border Crossing	22,000	28,000	30,000	30,000	30,000
CV II	6,000	3,000	6,000	6,500	—
Midcontinental	9,000	6,000	8,000	8,000	--
Northern Light	4,000	5,000	--	--	--
Prairie Fire	--	4,000	5,000	6,000	6,500
Sub-total	42,000	46,000	49,000	50,500	36,500
Aid for Promotion					
Arts Manitoba/ Border Crossing	4,500	4,000	8,000	--	--
CV II	--	--	850	--	--
Prairie Fire	--	--	3,000	--	5,000
Sub-total	4,500	4,000	11,850	0	5,000
TOTAL GRANTS TO PERIODICALS					
Arts Manitoba/ Border Crossing	26,500	32,000	38,000	30,000	30,000
CV II	6,000	3,000	6,850	6,500	—
Midcontinental	9,000	6,000	8,000	8,000	--
Northern Light	4,000	5,000	--	--	--
Prairie Fire	--	4,000	8,000	6,000	11,500
Sub-total	46,500	50,000	60,850	50,500	41,500

SOURCE: Canada Council annual reports, data compiled by Paul Audley & Associates Ltd.

NOTE: * Extracted from Quarterly Reports.

As Table 34 indicates, the Canada Council's support to magazines has increased very little nationally between 1983/84 and 1987/88, rising by just six percent, far less than the rate of inflation. Manitoba magazines received 2.7 percent of the Council's total support in 1983/84, and 2.3 percent in 1987/88.

TABLE 34

CANADA COUNCIL GRANTS TO PERIODICAL PUBLISHERS BY PROVINCE
1983/84 TO 1987/88

	1983/84	1984/85	1985/86	1986/87*	1987/88*
Aid to Periodicals					
Alberta	5,000	6,000	7,000	7,000	6,000
B. C.	137,800	168,700	122,196	171,860	179,935
Manitoba	42,000	46,000	49,000	50,500	36,500
New Brunswick	43,000	47,500	43,000	45,000	27,000
Newfoundland	10,000	10,000	8,000	8,000	4,000
Nova Scotia	46,500	12,000	13,000	16,500	10,500
Ontario	571,350	653,400	759,391	719,300	710,350
P.E. I.	--	--	--	--	--
Quebec	698,500	736,555	682,150	765,650	409,092
Saskatchewan	34,000	25,000	25,000	24,000	20,000
Sub-total	1,588,150	1,705,155	1,708,737	1,807,810	1,403,77
Aid for Promotion					
Alberta	--	--	--	--	--
B. C.	6,500	--	3,400	--	18,700
Manitoba	4,500	4,000	11,850	--	5,000
New Brunswick	5,000	--	1,750	--	4,500
Newfoundland	--	--	--	--	--
Nova Scotia	4,000	--	--	44,500	44,500
Ontario	42,700	31,500	70,000	12,500	69,300
P.E. I.	--	--	--	--	--
Quebec	52,900	51,465	52,000	89,600	84,000
Saskatchewan	--	--	1,000	--	2,500
Sub-total	115,600	86,965	140,000	146,600	396,800
TOTAL GRANTS TO PERIODICALS					
Alberta	5,000	6,000	7,000	7,000	6,000
B. C.	144,300	168,700	125,596	171,860	198,635
Manitoba	46,500	50,000	60,850	50,500	41,500
New Brunswick	48,000	47,500	44,750	45,000	31,500
Newfoundland	10,000	10,000	8,000	8,000	4,000
Nova Scotia	50,000	12,000	13,000	61,000	55,000
Ontario	614,050	684,900	829,391	731,800	779,650
P.E. I.	--	--	--	--	--
Quebec	751,400	788,020	734,150	855,250	493,092
Saskatchewan	34,000	25,000	26,000	24,000	22,500
	1,703,750	1,792,120	1,848,737	1,954,410	1,800,177

SOURCE: Canada Council annual reports, data compiled by Paul Audley & Associates Ltd.

NOTE: * Extracted from Quarterly Reports.

By comparison, Manitoba Arts Council assistance to magazines increased quite substantially between 1983/84 and 1987/88, almost tripling, from $43,000 to $120,495 (see Table 35) Most of the support provided is in the form of operating grants to literary and arts magazines. However, magazines such as City Magazine and Canadian Dimension can also receive assistance in the form of editorial development grants. Periodicals assisted through the MAC must either focus on aspects of the creative and performing arts, or include a component of cultural and artistic criticism as an integral part of social criticism and commentary.

In the case of both the Canada Council and MAC programs the support offered is complementary to that offered through ERDA, with the exception of professional development and marketing assistance. However, to the extent that there has been overlap in these two areas that has been recognized and duplicate funding of applications has been avoided.

TABLE 35

MANITOBA ARTS COUNCIL ASSISTANCE TO PERIODICALS
1983/84 TO 1987/88

	1983/84	1984/85	1985/86	1986/87**	1987/88
Arts Manitoba/ Border Crossing	20,000	22,000	30,100	37,500	43,750
CV II	4,800	5,000	11,600	14,250	19,900
Canadian Dimension	700	0	3,900	0	2,775
City Magazine	0	0	4,500	2,150	1,950
Herizons	1,000	0	3,900	2,500	0
Midcontinental	4,000	4,500	11,925	9,280	13,920
NeWest	2,000	1,500	0	0	0
Opera Canada	1,000	1,250	0	0	0
Pierion Press/ Dollarpoems	0	500	1,000	0	1,100
Transmission	0	2,000	0	0	0
Prairie Fire	9,500	10,000	15,800	28,750	37,100
	43,000	46,750	82,275	94,430	120,495
Winnipeg Periodicals Association*	0	0	2,500	6,500	1,000
	43,000	46,750	85,225	100,930	121,495

SOURCE: Manitoba Arts Council

NOTES: * Arts service operating grants

** First year of Contributor and Editorial Development

10.0 POLICY ISSUES AND RECOMMENDATIONS

10.1 Summary of Industry and Program Needs

The primary focus in this evaluation is, of course, on the assistance offered through the Publishing Development Program. As a result, the study is focussed mainly on examining the five components of the Publishing Development Program, indicating their impact and assessing their relevance in the future. However, we have also compiled a profile of the industry which suggests that there is a need for a thorough reappraisal of the approach which has been taken to the periodical industry.

The profile of the industry presented in Chapter 7 indicates that the periodical industry is by a wide margin the largest of the four cultural industries which received assistance through the ERDA program. Nevertheless only a small percentage of the industry was affected by the ERDA initiative.

Among the more disturbing findings of this study are the fact that overall there has been some decline recently in the circulation and revenues of magazines in the province and that, for the years examined there was a decline in the profitability of paid circulation magazines based in Manitoba. (By contrast, as noted earlier in this study, circulation levels for the magazines included in the ERDA programs increased substantially.) Since the economic impact of the industry is quite significant, representing $22.6 million in output and 290 paid jobs it may be useful to take a more careful look at the overall situation of the industry than was possible within the scope of this evaluation.

At present there is little sense among the Manitoba magazines themselves that there is an industry in the province. There is no industry association which includes a substantial representation of a wide variety of different kinds of magazines, as the Canadian Periodical Publishers Association does nationally. Nevertheless, if the sample interviews conducted for this study are representative of the views of those magazines outside the scope of the ERDA eligibility guidelines there appears to be an awareness of the need for professional development activity and a sense that there are industry concerns and issues which might be addressed collectively. However, the examination done for this study was not sufficient to permit a conclusion as to whether the industry might wish to pursue a co-operative approach to addressing issues related to its development.

For the magazines which have participated in the ERDA programs there are really two separate issues which public policy must address:

1. To what extent do they need on-going operating subsidy--whether from government, private sources or through volunteer workers?

2. To what extent is there a potential for efficiency to be improved, earned revenue expanded and the publication's quality enhanced through access to professional training and skills development for employees, improved management and operating practices, and increased marketing efforts?

A conceptually tidy approach to the magazine industry would be to put these forms of assistance into quite separate categories, only the second of them properly the concern of a development program. To some extent this has been what happened through the Publishing Development Program, with the exception of the Library Purchase Program.

Access to development assistance seems relevant to both magazines which require on-going subsidy and to those which are, or which could become, commercially self-sustaining. In the case of providing professional development activities in Manitoba the cost of doing so does not vary in proportion to the number of publishers involved. For this reason a more open approach seems reasonable in the future.

In our interviews we found a number of important common concerns which affected both magazines eligible for ERDA support and those which were not. This included distribution, access to government and non-government advertising, access to good mailing lists, tax policy issues, and so on. Through a stronger association it might be possible to pursue these concerns more effectively. However, this assumes that the association could respond to these industry needs and issues.

In the light of the uncertainties which now exist in relation to the magazine industry it is recommended that at a minimum the Professional Development and Marketing Assistance Programs continue to be provided for a further five years. In addition, it is proposed that project assistance be made available to individual magazine publishers.

The minimum levels of funding suggested for these programs are as follows (in constant 1988 dollars):

	($000's)				
	Year 1	Year 2	Year 3	Year 4	Year 5
Marketing	50	50	50	50	50
Professional Development	10	10	10	10	10
Project Support	30	30	30	30	30
TOTAL	90	90	90	90	90

In addition, subject to a confirmation of adequate interest from representative periodical publishers, assistance should be provided to allow the industry association to employ a full-time staff person for a period of at least two years. Without taking this step it is difficult to see how the industry association could function effectively.

At present the AMBP receives operating assistance through the Manitoba Arts Council and, in the past, the MPA has received some assistance as well. Whatever the most appropriate source may be, there should be assistance to permit a reasonable minimum level of operations for broadly-based industry associations in both book and periodical publishing.

Consideration should also be given to broadening the definition of eligibility for support to provide access for Manitoba publications which are produced for the general public and which have substantial paid circulation. Our analysis of industry data, and our interviews with publishers, suggest that there is potential for growth in the Manitoba industry. Expanded access would require a reassessment of the minimum budget levels suggested above, with budget levels probably more in line with those proposed for book publishing.

10.2 Administration and Related Issues

The comments offered in Chapter 6 in relation to program administration and financing (6.2) and the Steering Committee apply equally to programs of assistance to periodical publishing.

PART IV

SUMMARY OF RECOMMENDATIONS

PART IV

SUMMARY OF RECOMMENDATIONS

11.0 BOOK PUBLISHING

Recommendation #1

Consideration should not be given to re-establishing the Library Purchase Program which was provided under the 1984 Agreement as the first component of the Library Purchase Program. Instead, the goal of ensuring that public and school libraries are able to purchase appropriate Manitoba publications should be pursued within the framework of government support to schools and public libraries.

Recommendation #2

The Employment Assistance Program and the Access to Technology Program should not be extended.

Recommendation #3

The Marketing Assistance Program and the Professional Development should be continued. Consideration should be given to whether both the Manitoba Arts Council and ERDA (or a successor program) need to continue to be involved in providing professional development assistance.

Recommendation #4

A Loan Guarantee and Interest Subsidy program should be established for Manitoba book publishers with annual sales in excess of $75,000. Access to a loan guarantee should be based on a business-like assessment of risk and should not exceed 40 percent of annual sales of eligible titles. Interest subsidy should be based on half the prime lending rate and reflect actual interest paid.

Recommendation #5

A flexible Project Assistance Program should be added to the Publishing Development Program in the future to make available to individual publishers, groups of publishers, or the AMBP, financial assistance covering up to 75 percent of project costs. Eligible projects might involve either studies or the implementation of projects in areas such as warehousing, order fulfillment, marketing strategies, sales representation, accounting and financial management assistance, and so on.

Recommendation #6

The Manitoba Arts Council should consider providing assistance to writers based on the nomination of Manitoba book publishers in order to permit the publication of ambitious trade (general interest) publishing projects.

Recommendation #7

An integrated approach should be implemented to encourage and assist Manitoba's book publishers to respond to the need for educational materials which reflect the province's history, culture and institutions. This strategy should include funding, pre-production approval of learning materials and advance purchasing commitments. While not necessarily provided through an extended Publishing Development Program, a provincial fund to stimulate educational publishing should be established, with funding of between $50,000 and $75,000 annually.

Recommendation #8

Support should continue to be provided to Manitoba book publishers over a further five year period through a continuation of the revised Publishing Development Program, with funding as follows:

	Year 1	Year 2	Year 3	Year 4	Year 5
Marketing	75,000	75,000	75,000	75,000	75,000
Professional Dev.	15,000	15,000	15,000	15,000	15,000
Project Support	60,000	60,000	60,000	60,000	60,000
Interest Subsidy	15,000	17,000	19,000	22,000	25,000
TOTAL	165,000	167,000	169,000	172,000	175,000

Recommendation #9

Arrangements for the extension of the Publishing Development Program should ideally involve both Canada and Manitoba, reflecting the important role of both levels of government in enhancing the development of the industry. Such arrangements need not be made initially for the full five year period of support proposed; but could instead be addressed in two stages, to permit co-ordination with the recommendations presented separately in Evaluation Study #3, which suggests an extension of the current Agreement as it affects the film video and sound recording industries to March 31, 1992.

Recommendation #10

Consideration should be given to administering the Publishing Development Program through the Cultural Industries Development Office (CIDO) with a single program manager responsible for both book and periodical publishing.

Recommendation #11

In any extension of the Publishing Development Program consideration should be given to shared funding, as is the case with other components of the Agreement.

Recommendation #12

To ensure effective co-ordination and complementarity of the programs and policies of support agencies and departments (both federal and provincial), and informed advice to the management Committee or any replacement co-ordinating structure, publishing should be dealt with by a Steering Committee, which would include representatives of MAC, Manitoba Education, the Canada Council and the BPIDP, as well as the two departments involved.

Recommendation #13

Any proposed revision to the guidelines should be discussed with the AMBP, taking care to ensure that all of the diverse needs and interests of the publishers are understood.

12.0 PERIODICAL PUBLISHING

Recommendation #14

As in the case of book publishing the Library Purchase Program should not be reestablished within the Publishing Development Program and neither the Employment Assistance Program nor the Access to Technology Program should be extended beyond the current date for their termination.

Recommendation #15

The Marketing Assistance Program should be continued, with care being taken to administer the program in a way that is open to marketing initiatives other than direct mail. Program guidelines should be revised to eliminate the limit of $5,000 on funding to individual projects. Consideration should be given to increasing the annual limit of $10,000 per publisher, but with care taken to ensure that marketing expenditures do not increase beyond levels justified by positive results. It should be required that publishers file a thorough report on results achieved the previous year before being eligible for assistance again.

Recommendation #16

Consideration should be given to providing increased levels of operating assistance to those Manitoba periodicals judged both to have substantial cultural importance and to be unlikely, even with increases in earned revenue, to maintain the minimum staffing levels required for effective operation. The funds required for this purpose should not come from the Publishing Development Program, but rather from the source most appropriate to judge the value of the publications involved -- in the case of literary and arts magazines the Manitoba Arts Council.

Recommendation #17

The Professional Development Program should be continued in a revitalized form, focussing less on industry-wide seminars and workshops and more on individualized assistance. The successful operation of this program should be seen as being linked significantly to the operation of an industry association to articulate the needs, interests and priorities of periodical publishers in Manitoba. After consultation with the Manitoba Periodicals Association such programs should be opened to a wider range of publishers.

Recommendation #18

Project Assistance should be provided through the Publishing Development Program to individual magazines, groups of magazines, or the industry association covering up to 75 percent of project costs. Projects might involve either studies, access to industry experts or consultants on a short term basis, or the implementation of projects in areas such as distribution, circulation development and maintenance, advertising sales, financial management, accounting and so on.

Recommendation #19

Assuming no change in the criteria governing access to the Publishing Development Program, except in the case of Professional Development, support should continue to be provided to magazine publishers through a continuation of a revised Publishing Development Program, with funding over the next five years as follows: (in thousands of constant 1988 dollars)

	Year 1	Year 2	Year 3	Year 4	Year 5
Marketing	50	50	50	50	50
Professional Dev.	10	10	10	10	10
Project Support	30	30	30	30	30
TOTAL	90	90	90	90	90

Recommendation #20

Subject to a confirmation of adequate interest from representative periodical publishers, assistance should be provided to allow the industry association to employ a full-time staff person for a period of at least two years.

Recommendation #21

A reappraisal should be done of the development needs of the Manitoba periodical publishing industry based on interviews with a substantial and representative sampling of those publishers who were not eligible for assistance through the Publishing Development Program. Consideration should be given in the context of this review to extending the program to publishers of general interest magazines with substantial paid circulation. If the eligibility criteria are extended then the budget for the Publishing Development Program should be increased.

Recommendation #22

Recommendations #9, #10, #11 and #12 should be understood as applying equally to periodical and book publishing. In preparing any revised guidelines for the Publishing Development Program as it applies to the periodical industry the Manitoba Periodicals Association should be consulted.

APPENDICES

APPENDIX A

LIST OF INDIVIDUALS INTERVIEWED

BOOK PUBLISHERS

Participants in Programs

Sylvie Ross, Editions du Blé
Annette St. Pierre, Editions des Plaines
Arlene Osen, Hyperion Press
Gilbert Brant, Kindred Press
Mary Dixon, Peguis Press
Virginia Maracle, Pemmican Publications
Joan Parr, Queenston House
Pat Sanders, Turnstone
Pat Legace, University of Manitoba
Helen Burgess, Watson & Dwyer

Other

Jill Brooks, Manitoba Arts Council
Marlene Neustaedter, Manitoba Arts Council
Grace Parasiuk, Director of Curriculum Development, Department of Education
Esther Rosenberg, Communications Canada (Program Manager, BPIDP)
Carol Martin, Canada Council, Information Officer
David Carr, Department of Culture, Heritage and Recreation

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APPENDIX A (continued)

LIST OF INDIVIDUALS INTERVIEWED

PERIODICAL PUBLISHERS

Participants in Programs

Border Crossings (Meeka Walsh, Robert Enright)
Canadian Dimension (Jim Pringle, Cy Gonick)
Canadian Verse II (Jane Casey)
City Magazine (Kent Gerecke)
Herizons (no longer in business), (Penny Mitchell)
Midcontinental (Rob Ferguson)
Prairie Fire (Andris Taskans)

Other

Hignell Printing
The Beaver (Chris Dafoe)
Friesens Printing
CPPA Distribution (Ron Sellwood, Cathy Keatchie)
Manitoba Arts Council (Marlene Neustaedter, Don Robinson)
Canada Council (Luc Jutra)
Harvard Publishing Company (Tony Maruca)
Business People (Howard Burshtein)
Manitoba Business (Don Bain)
Palmer-Jarvis & Associates Advertising (Gary Gzebb)

APPENDIX B

INFORMAL INTERVIEW GUIDE: PUBLISHING

1. Background
   - origin of publishing firm
   - recent development

2. Information Concerning Firm
   - employment trends
   - sales in Manitoba, rest of Canada, and foreign markets. Key customers
   - financing arrangements and needs (equity, line of credit, loans, etc.)
   - focus of development
   - financial statements, business plans, etc.
   - location of printing
   - warehousing and distribution arrangements (circulation management)
   - sales representation (book publishers)

3. Experience with ERDA Programs
   - awareness
   - verification of participation by component
   - perceived impact of participation of each component, i.e.
     - library purchase
     - employment assistance
     - marketing
     - professional development
     - technology
   - comments on program guidelines, applications and procedures
   - impact if ERDA programs terminated
   - need for continuation of various components
   - need for and ability to use other types of assistance (loan guarantees, etc.)

4. Experience with Other Programs
   - MAC
   - Canada Council
   - Department of Communications (book publishing)
     (Discuss awareness, applications for assistance, assistance received, impact of assistance, relationship to ERDA support, etc.)

5. Views on Industry Strengths and Weaknesses
   - access to capital
   - access to skilled personnel
   - distribution and marketing (access to retail display, promotion activity, reviews, etc.)
   - Manitoba writers, illustrators, designers, etc.
   - quality of Manitoba printing, etc.